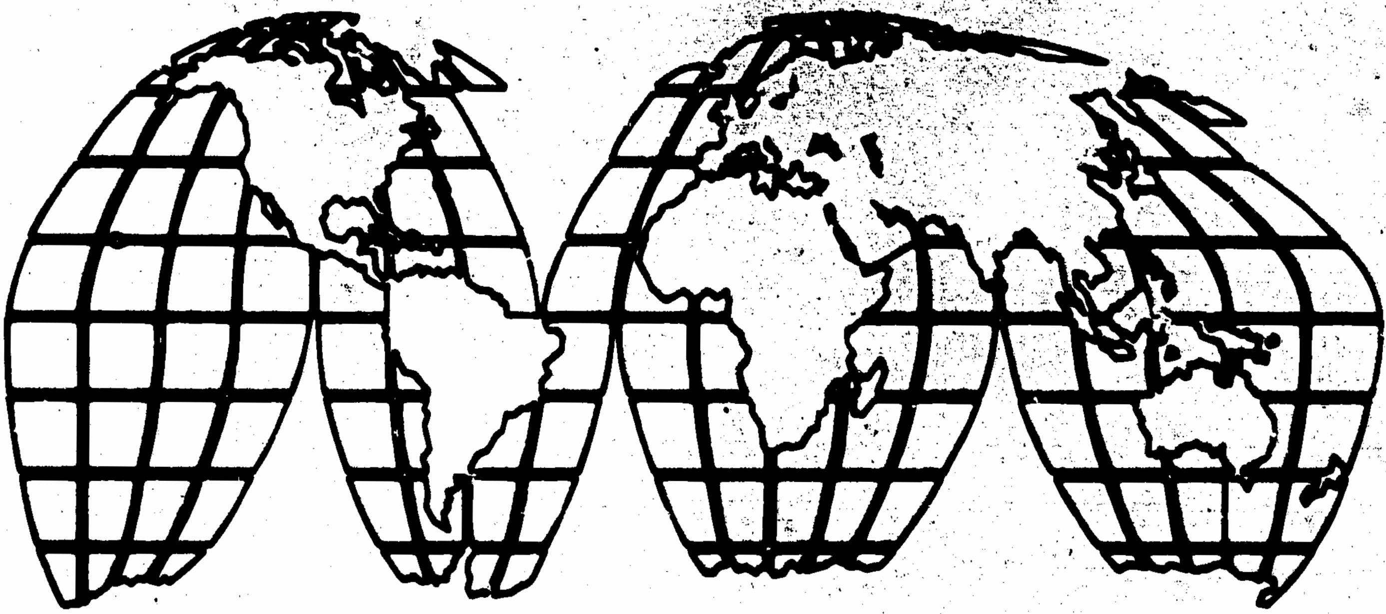
A.I.D. Evaluation Special Study No. 10

PRIVATE SECTOR
The Tortoise Walk: Public Policy And Private Activity In The Economic Development of Cameroon



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THE TORTOISE WALK: PUBLIC POLICY AND PRIVATE ACTIVITY IN THE ECONOMIC DEVELOPMENT OF CAMEROON

A.I.D. Evaluation Special Study No. 10

by

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TABLE OF CONTENTS

Appendixes

FOREWORD

In February 1982, the Administrator of the Agency for International Development (AID) requested that the Bureau for Program and Policy Coordination, through its Office of Evaluation, initiate a series of studies examining the contribution of past AID efforts to strengthen the role of the private sector in the development process. As part of the first phase of this effort, four countries--Malawi, Costa Rica, Thailand, and Cameroon--were selected for in-depth evaluations of the central issues surrounding this question. The development history of these four countries is, in a sense, unique. In a large measure, the economic history of Third World countries in the past two decades has not been a happy one. The remarkable economic performance of these four countries during this same period distinguishes them from many of their neighbors and from the developing world at large. The decision to examine success rather than failure was a purposeful one, and the studies need to be read in this light.

The country studies focus on two major areas of interest: the contribution of public policies to the development of private activity, and the impact of external assistance on the efficient functioning of internal markets related to capital, manpower, and information needs. The emphasis of these studies is not on private sector development as an end in itself, but as a means to AID's central objective of assisting recipient countries to meet the basic human needs of their poor majorities through sustained, broadly based economic growth. Thus, all components of the private sector are important, from large-scale industry to small enterprises, from external private capital to the poor smallholders in the rural areas.

Field studies in the four countries were conducted in June-July 1982. Synthesis reports comparing the central themes investigated in the country studies are available.

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SUMMARY

The broad purpose of this study is to evaluate the influence, positive as well as negative, exercised by Government policy on the competitiveness and openness of private markets for resources and for products in Cameroon, and on the ensuing effectiveness of allocation and use of the country's scarce resources on economic growth and on equity. As a subset of this broad purpose, the study examines the degree and form of state intervention in the major economic policy areas, and the contribution of external economic assistance--including U.S. aid--to Cameroon's development in general and to the areas of special importance for private economic activity in particular.

The evaluation concludes that, on balance, public policy and external assistance have helped the development of vigorous private economic activity in most sectors of the economy of Cameroon--within the overriding constraint posed by the imperative of fostering stability and building national cohesion in a society characterized by extreme ethnic pluralism and located in a very troubled area of the world. Whatever criticism may be made of the regime and of the soundness of its policies in different areas, the achievement of building a stable and peaceful nation from very difficult beginnings demands recognition.

Cameroon's economic performance from independence in 1960/1961 to date has been strong as well as steady, with per capita income growing at 2.9 percent per year on average, inflation kept to manageable levels, and a cautious fiscal policy. The country's social indicators, however, still resemble those typical of countries at much lower per capita income levels, and underemployment is a serious and growing problem. Oil revenues, kept under a tight cover of secrecy, are known to be substantial and growing. Largely as a result, the country has the financial leeway to ease the difficulties caused by an unfavorable external economic environment and the problems of transition to middle-income status, without compromising either its economic performance or the national integration objective.

The Guiding Principles of Policy in Cameroon

Four major themes underlie the formulation of public policy in the country:

-- National cohesion, and the fostering of growth in the lagging regions

-- Political and social control, through a strongly centralized government structure at the apex of which stands President Ahmadou Ahidjo

-- Mixed economic control, by which the Government exercises very strong influence in certain areas of the economy but keeps hands off the others

-- The "tortoise walk" style of economic management, that is, a very cautious and deliberate approach to administration and planning

External Economic Policies

Owing to the absence of restrictions on international payments and currency exchange for current transactions, the problems associated in many countries with exchange restrictions and overvaluation are absent from Cameroon. By contrast, commercial policy, while less restrictive than in many other developing countries, has fostered serious inefficiencies and lack of competitiveness in many sectors. Effective protection rates are often quite high and, along with export duties, have produced a net anti-export bias. One hopes that the Government will consider, as part of the transition to a more diversified economy, a turning away from its inward-looking commercial policy.

Internal Economic Policies

Neither the Government nor parastatal organizations generally engage in direct public production in Cameroon. The Government does, however, hold equity in a number of major enterprises, primarily through its National Investment Corporation (SNI). By and large, SNI is an efficient and well-managed entity, which has facilitated private investment and has successfully insisted on the explicit provision of open subsidies in cases when the Government has wanted it to invest in a project for other than commercial profitability reasons.

In keeping with the mixed economic control theme, Government influence on prices is the determining factor in the case of the major agricultural export crops, and weak to nonexistent elsewhere. There is a nominal price control system, but it is largely unenforced and thus inoperative. The impact of price controls is probably felt only in the major cities of Yaounde and Douala, and then only by firms benefiting from Government concessions. Private sector development has thus been relatively unhampered by Government intervention in the area of prices.

The diagnosis is quite different in the case of industrial policy. An elaborate system of overgenerous tariff and fiscal incentives, awarded on a case-by-case basis and generally favoring large firms, has tended to hamper the growth of a dynamic private sector, and has worked against smaller enterprises and the development of Cameroonian private initiative. The import-substituting industrialization fostered through the combination of import restrictions, tax concessions and other Investment Code incentives, and the partial actualization of the ensuing monopoly power granted the (largely foreign) firms has resulted in substantial subsidization of those activities at the expense of local entrepreneurship and the public at large. However, in this as in all other areas of public policy in Cameroon, the "tortoise walk" approach has intervened to limit the damage done to economic efficiency: in particular, the Government has not yielded to the temptation to push import-substitution in activities other than "last-touch" value added, once that early stage had become exhausted.

Financial policies have been conditioned largely by the limitation to domestic monetary autonomy entailed by the pegging of the currency to the French franc. The banking system and formal financial market developed very slowly until the early 1970s, and somewhat faster in recent years. Government controls on interest rates have caused some liquidity problems, but do not seem to have had a serious adverse effect on the mobilization of internal financial resources--partly because the interest rate ceilings are not much lower than probable market-clearing rates, and partly owing to the existence in Cameroon of a vibrant and effective network of informal credit institutions.

Agricultural policy has, again, been a mixture of strong Government intervention and of laissez-faire attitudes. The dominant source of agricultural output is smallholder farming, with the traditional peasant sector accounting for over 90 percent of production and employing 2.3 million people. Through the National Produce Marketing Board (ONCPB) the Government significantly influences the behavior and performance of export agriculture, and establishes producer prices for coffee, cocoa, cotton, peanuts, and palm kernels. These are now much closer to world prices than they were until recently, because of the fall in world prices accompanied by an increase in producer prices internally. The surpluses generated through the administered price system have been largely returned to agriculture in indirect forms, but partly also used to contribute to the general national budget.

Policy toward food crops has generally been one of benign neglect--with neither much help nor significant hindrance from the Government. The result has so far been generally favorable, and Cameroon has been basically self-sufficient in food. This is, however, unlikely to continue to be the case unless serious attention is given to the need for assisting private smallholders to raise agricultural yields and for improving rural life to slow down outmigration to the towns. This appears to be the Government's intention.

The Role of AID

Foreign economic assistance in general continues to be an important source of import capacity, although it is increasingly overshadowed by the country's oil revenues. U.S. aid has always been small in quantitative terms--although it has increased in recent years--but qualitatively significant. Of the three large U.S.-assisted projects, one is addressed to improving the production prospects of small private farmers in northern Cameroon, and the other two promise to be instrumental in the improvement of the country's basic education and training facilities, one of the areas of sharpest relevance for the long-term needs of private production and management. It would nevertheless be helpful in the years to come to design U.S. aid more explicitly to support those elements of the country's economic policy that are particularly conducive to efficiency and economic growth. While the Government of Cameroon is among the most independent-minded in the developing world, it is also open-minded and willing to listen to a persuasive economic policy argument presented as part of discussions concerning the most effective use of U.S assistance.

SODECOTON: A Case Study

In light of the well-known problems and inefficiencies associated with parastatal enterprises in many developing countries, the team considered it useful to complement the above discussion of the influence of policy on the private sector with a case study of a parastatal organization that has helped--rather than hindered--the development of private economic activity. This is the case of the Corporation for the Development of Cotton (SODECOTON), which the team found to be run on an efficient and private-sector-like manner, and which has functioned to provide new economic opportunities to small farmers without destroying their entrepreneurial potential and individual economic incentive.

Conclusions and Lessons Learned

Aside from the many specific conclusions relating to each of the policy areas examined and their impact on the development of private markets and economic efficiency in Cameroon, two major lessons stand out. The first is that public policy measures have generally benefited some private interests at the expense of other private interests. Thus, a meaningful assessment of the impact of policy on the development of the private sector as a whole requires a balancing of the several private interests that are affected by policy in different ways. That assessment must not neglect consideration of the existence and role of "informal" economic activity as an alternative outlet for private enterprise when the formal channels are restricted. As mentioned at the outset, our evaluation is that public policy in Cameroon, on balance, has worked to facilitate the development of private markets and the exercise of private economic activity.

The second major lesson is that a cautious approach to economic change--the "tortoise walk" of our title--can be a perfectly viable economic development strategy. Contrary to the earlier conventional wisdom concerning growth in developing countries, large structural change compressed in a short period of time may be neither necessary nor sufficient for development: the Cameroon experience shows that much can be accomplished by relatively small economic improvements on a sustained basis over a long period of time.

PREFACE AND ACKNOWLEDGMENTS

This study is based on an analysis of pertinent published information on Cameroon and on field research conducted for a period of about four weeks in June-July 1982. The country visit included stays in Yaounde, Douala, and Buea by the entire team, and in Maroua, Garoua, and Bafoussam by various team members. If a useful and valid analysis is to emerge from a short in-country stay, it is essential to be able to exploit the insights and accumulated experience of persons thoroughly familiar with the subject matter and with the country itself. The first note of thanks--no less sincere for being customary--is due to the more than 100 individuals interviewed by members of the team. Their names are listed in Appendix A. If the description and analysis that follow are on the mark, it is largely because of the information and assessments these people shared with us.

Others did more than share their views. We appreciate the concrete help and support given by the USAID Mission in Yaounde (especially Program Officer Herb Miller), by the U.S. Consulate in Douala (particularly Consul-General Lois Matteson), and by the administrative staff of the Bureau for Program and Policy Coordination, Office of Evaluation. The first draft of this report benefited from comments by Richard Blue, Cynthia Clapp-Wincek, Tim Mahoney, Tim Mooney, and Judith Tendler, and from the reaction of participants to the July 15 workshop that discussed the initial draft country studies. Charles Stathacos and Georgia Sambunaris provided some research assistance. Ms. Sambunaris also provided, as usual, competent editorial assistance.

This report is in seven parts and ten appendixes. Despite efforts to keep all unessential material out, the report is of unusual length. We needed, of course, to deal adequately with the major theme--that is, the contribution of public policy, and of external assistance within it, to the development of private activity in all segments of the economy of Cameroon. But we also felt that it would be desirable to have a reasonably comprehensive piece--useful to analysts, investors, and policymakers with little or no prior knowledge of the country--as well as a self-contained analysis obviating the need for consulting a variety of sources. If we have succeeded, much of the relevant information on Cameroon's economic development, public policymaking programs, and successes should be found within these covers.

This report is a joint effort. Although Schiavo-Campo was the principal author, responsible for the organization, conduct, and drafting of the study, all four members of the team were engaged in the formulation of the ideas and progress of the analysis--and all share a consensus on the major themes and conclusions. Our comparative interests and areas of expertise, however, led to the following division of labor: Schiavo-Campo had primary responsibility for Parts I through V; Roush for Appendix G; Lemelin for Part VI and Appendix I; with McLindon making contributions to Part IV and Appendix G.

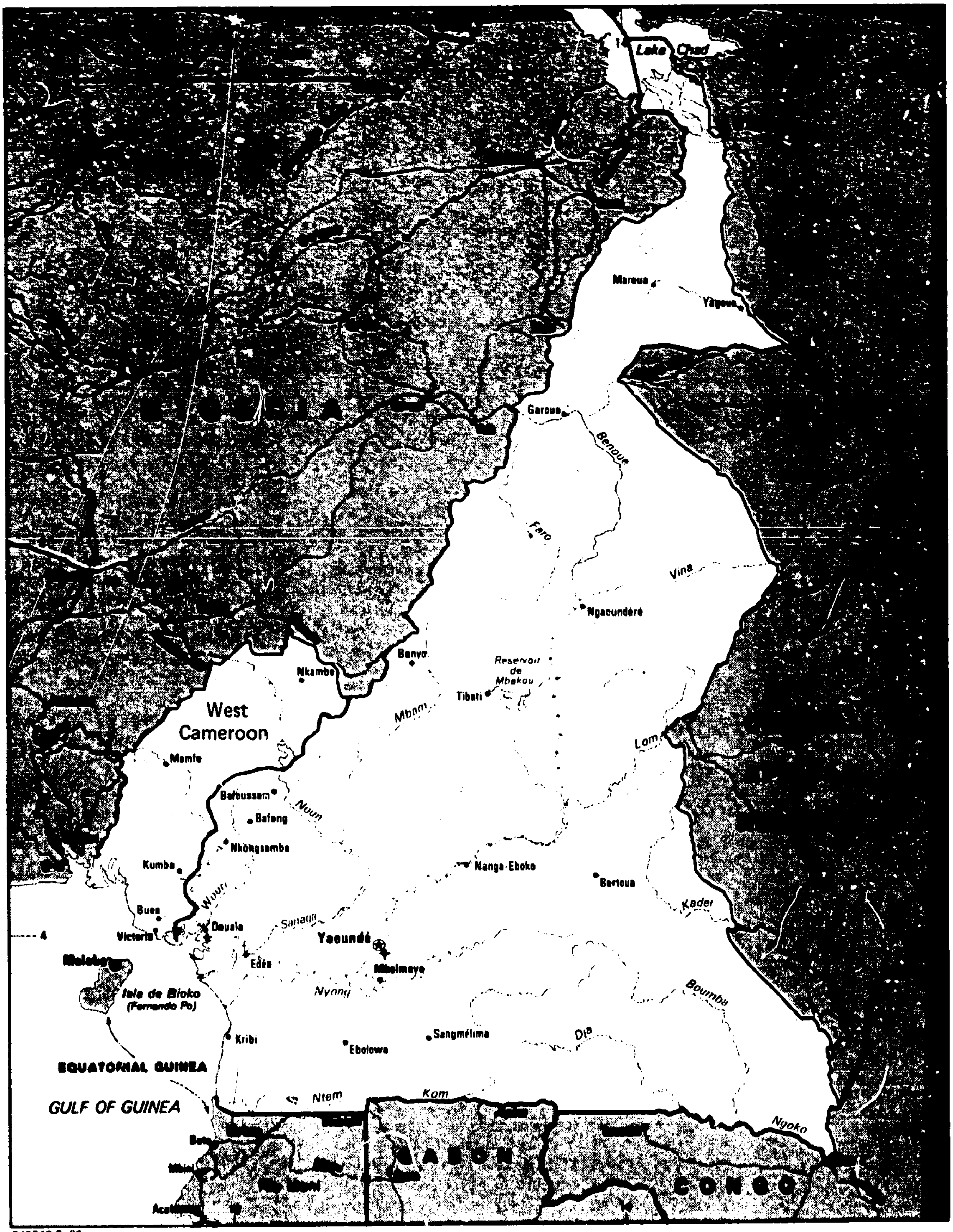
GLOSSARY OF ACRONYMS AND ABBREVIATIONS

AFCA	Industrial and Administrative Training Association (Association pour la Formation des Cadres de l'Industrie et de l'Administration)
BCD	Cameroon Development Bank (Banque Camerounaise de Developpement)
BEAC	Bank of Central African States (Banque des Etats de l'Afrique Centrale)
BURECOM	Bureau for Commercial Relations with the People's Republic of China (Bureau Charge des Relations Commerciales avec la Republique Populaire de Chine)
CAPME	National Center for Assistance to Small and Medium Enterprises (Centre National d'Assistance aux Petites et Moyennes Entreprises)
CCCE	Central Fund for Economic Cooperation (Caisse Centrale de Cooperation Economique)
CCIM	Chamber of Commerce, Industry, and Mines (Chambre de Commerce, Industrie, et Mines)
CDC	Cameroon Development Corporation (Corporation pour le Developpement du Cameroun)
CENEEMA	National Center for Agricultural Machinery Experimentation (Centre National d'Experimentation avec Machines Agricoles)
CFA	African Financial Community (Communaute Financiere Africaine)
CFAF	African Financial Community Francs (Communaute Financiere Africaine Francs)
CFDT	French Corporation for the Development of Textile Fibers (Compagnie Francaise pour le Developpement des Fibres Textiles)
CICAM	Cotton Fabrics Plant of Cameroon (Cotoniere Industrielle du Cameroun)
cif	Cost, Insurance and Freight

CNPS	National Social Security Fund (Caisse Nationale de Prevoyance Sociale)
CNR	National Re-insurance Fund (Caisse Nationale de Reassurance)
DGRST	General Delegation for Scientific and Technical Research (Delegation Generale a la Recherche Scientifique et Technique)
EDF	European Development Fund
FAO	Food and Agricultural Organization of the United Nations
fob	Free on Board
FOGAPE	Small and Medium Enterprises Aid and Credit Guaranty Fund (Fonds d'Aide et de Garantie des Credits aux Petites et Moyennes Entreprises)
FONADER	National Rural Development Fund (Fonds Nationale de Developpement Rurale)
FR F	French Franc
GURC	Government of the United Republic of Cameroon
GVP	Pre-cooperative Village Groupings (Groupements Villageois Precooperatifs)
h	Hectare
IDA	International Development Association
IFC	International Finance Corporation
IRCT	French Cotton Research Institute (Institut de Recherche sur le Coton et les Fibres Textiles)
k	Kilogram
MEAVSB	Benoue Valley Development Authority (Mission d'Etudes d'Amenagement de la Vallee Superieure de la Benoue)
MINAGRI	Ministry of Agriculture (Ministere d'Agriculture)

MINEP	Ministry of Economy and Planning
OC	Cereals Office (Office Cerealier)
ONCPB	National Produce Marketing Board (Office National de Commercialization des Produits de Base)
SCT	Cameroon Tobacco Corporation (Societe Camerounaise des Tabacs)
SME	Small and Medium Scale Enterprises
SNI	National Investment Corporation (Societe Nationale d'Investissement)
SOCAPALM	Palm Oil Corporation
SODECAO	Cocoa Development Corporation
SODECOTON	Corporation for the Development of Cotton
SYNDUSTRICAM	Association of Cameroon Industrialists (Syndicat des Industriels du Cameroun)
T	Tons
TIP	Inland Production Tax
TU	Single Tax (Taxe Unique)
UCCAO	Union of Arabica Coffee Cooperatives in the West
UDEAC	Central African Custom and Economic Union (Union Douaniere et Economique de l'Afrique Centrale)
UN	United Nations
UNC	Cameroon National Union (Union Nationale Camerounaise)
UPC	Union of Cameroonian Peoples (Union des Peuples du Cameroun)
USAID	U.S. Agency for International Development
USICA	U.S. International Communication Agency, renamed U.S. Information Agency (USIA)

Cameroon



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Boundary representation is not necessarily authoritative.

International boundary
National capital
Road
International airport

"*Chi va piano, va sano e va lontano.*"

I. INTRODUCTION

A. Basic Country Data

The United Republic of Cameroon is an African country of 475,000 square kilometers (larger than California), with a mid-1982 population estimated at about 8.9 million, of whom almost 40 percent are in urban areas. The major industrial and commercial center is Douala, with a population of about half a million; Yaounde, with a population of about 350,000, is the capital.

Cameroon has experienced sustained economic growth since independence, and inflation has been kept to manageable levels. Its fiscal policy has been cautious, with frequent budget surpluses being recorded, and monetary policy has played a modest accommodating role. Cameroon had in 1981 a Gross National Product (GNP) per capita of $790, which placed the country just about at the conventional boundary line between the low-income countries (i.e., those eligible for International Development Association--IDA--concessional loans), and the middle-income developing countries. While economic prospects (including oil exports) are sufficiently favorable to place Cameroon squarely in the middle-income country category, its social indicators resemble much more those typical of low-income developing countries (with the exception of education).[1]

Some social improvement has occurred from independence to date. However, life expectancy at birth is still only 47 years (largely because of a high infant mortality rate), almost three-fourths of the population has no access to safe water, and in 1978 Government expenditures on health averaged U.S.$3 (1975) per capita (compared to U.S.$15 for the middle-income countries as a group). Among other things, this resulted in 16,500 people per physician available in 1977, a higher number than the average for low-income countries. Further, these problems will acquire greater force in the years to come, owing to the acceleration of the rate of growth of population, from an annual average of 1.8 percent in the 1960s to 2.2 percent in

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[1] Cameroon's own Ministry of Economy and Planning (MINEP) has recently noted the inadequacies in health, sanitation, and social services (*Rapport de Synthese*, pp. 40 ff.). Footnotes will show abbreviated references; complete references are shown in the Bibliography.

the 1970s, and an estimated 2.5 percent currently.[2] Eighty percent of the population resides in the French-speaking part of the country, and the 20 percent Anglophone minority resides in the southern part of former British Cameroons.

Cameroon, "the hinge of Africa," contains much of the human, geographic, and cultural diversity of tropical Africa. It straddles the so-called "Bantu line"--the Northern limit of Bantu peoples--and is a complex plural society, with about 200 ethnic groupings speaking 24 major African languages. The larger groups are the Bamileke in the West, the Equatorial Bantu, the Kirdi, and the Fulani in the North. The country is officially bilingual--French and English--but in practice a knowledge of French is indispensible for interaction with Government and private business alike.

B. Historical Background[3]

As we shall see later, a bird's eye view of the historical antecedents of modern Cameroon--even as brief as the one presented here--is needed to understand current policies and the conceptual basis of these policies.

Aside from the legendary sighting of Mount Cameroon by Hanno the Carthagenian, the first recorded exploration from outside Sub-Saharan Africa was by the Portuguese in 1472.[4] Eventually, the customary dreary procession of Spanish, English, and French slavetraders as well as commodity traders arrived on the scene in this area as they did through much of Africa.

The end of the slave trade meant increased economic interest in two tropical products--palm oil and rubber--resulting in the establishment of a British settlement near Douala. The first major mission, "Victoria," was founded in 1858 at the foot of Mount Cameroon. The Berlin Conference of 1884 awarded Cameroon to the Germans, who agreed to a treaty

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[2]Data from the World Bank's World Development Report, Annex: World Development Indicators, August 1982.

[3]The best references on Cameroon's history include Tambi Eyongetah's A History of the Cameroon, Victor LeVine's The Cameroon Federal Republic, and Willard Johnson's The Cameroon Federation (see the Bibliography for complete references).

[4]The name Cameroon derives from "Camaroes," the Portuguese word for "shrimp."

with local chiefs stipulating restrictions on German authority. Subsequent attempts at ending the restrictions brought open conflict with the Douala people, which the Germans resolved by expropriating coastal land and taking various repressive measures, including hanging the King of the Douala in 1914. The beginning of an emergence of national consciousness among many Cameroonians is traced by some observers to these early years of anti-German resistance.[5]

The Germans used forced labor to build infrastructure, create a colonial administration, and introduce plantation agriculture. World War I, however, intervened to prevent them from reaping the fruits of their doctrine of "scientific exploitation," undoubtedly a reason for the peculiar nostalgia expressed by some Cameroonians for the German regime.

In 1922 the former German colony of Kamerun was divided into British and French mandate territories. The British mandate zone was absorbed by the Nigerian colonial administration, operating under the policy of "indirect rule." The policy, initiated by Sir Arthur Gordon in Fiji and perfected by Lord Lugard in Nigeria at the turn of the century, entailed primarily decentralized administration through the network of traditional local rulers, under the authority of the colonial Government. Colonial policy under the French mandate was instead based on the principle of assimilation, and on fairly strong central administration and control. As we shall see in Section II, trace elements of both administrative approaches are still visible in the present political and economic apparatus of present day Cameroon.

During the interwar period, little was provided to expand productive capacity either in the British or in the French mandate territories. The northern portion of British Cameroons was particularly ignored and virtually isolated from the South--which contributed to the northern decision at independence to join Nigeria.

After World War II, the French did engage in substantive economic expansion, but their clear aim and design was to structure Cameroon's economic development into a closer dependency relationship with France--an aim which did not go unrecognized by Cameroonian elites. Since 1960, lessening economic dependence on France has been a constant of national policy, and has been pursued with some success in the gradual and skillful manner characteristic of Cameroonian political management (see Sections II.D and III.D.).

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[5]Richard A. Joseph, Radical Nationalism in Cameroon, p. 16.

C. Political Development

Resistance to continued colonial rule began comparatively early in Cameroon, with the formation in 1948 of the Union of Cameroonian Peoples (UPC) under the leadership of Um Nyobe, the 1952 demand for a time limit for independence, and the beginning in 1955 of armed UPC insurrection continuing until well after independence. The French reacted in characteristic fashion by, among other things, promoting ethnic rivalries within Cameroon and bolstering the position of local leaders considered pliant to French wishes. There is little question that the French at the time considered Ahmadou Ahidjo, Cameroon's President since independence, to belong in that category. They were to be disabused fairly quickly, as the new Cameroonian leadership revealed itself to be as independent-minded as any in Africa--albeit in a pragmatic and nonconfrontational manner.

The former French mandate (U.N. Trusteeship since 1946) became independent on January 1, 1960, as the Republic of Cameroon. In February 1961, the British held a plebiscite in British Cameroons, to assess whether the people preferred joining Nigeria or the new Republic of Cameroon. Contrary to general expectations, the northern zone opted to join Nigeria and the southern zone to join Cameroon. On October 1, 1961, the southern zone was unified with independent Cameroon into a Federal Republic. On May 20, 1972, a referendum proposed by President Ahidjo was approved, abolishing the federal structure and giving birth to the current United Republic of Cameroon. Just prior to our team's visit to Cameroon, the country celebrated the tenth anniversary of its "Peaceful Revolution."

President Ahmadou Ahidjo is the Chief of State and head of the Cameroon National Union (UNC), the only legal political party. He effectively controls the political and administrative institutions and, by all accounts, decides personally on all major issues. The Government is headed by a Prime Minister and is divided into 20 Ministries. Subject to the authority of the President, the unquestioned primacy in all matters affecting economic activity is held by the Ministry of Economy and Planning (MINEP). The seven administrative provinces of Cameroon are administered by Governors appointed from and responsible directly to the central Government. Local officials are elected, but candidates must belong to the UNC. Traditional village and tribal chiefs conserve some authority, albeit to a very different degree in different areas of the country. Provincial appointees are shuffled about with some regularity, to cut down on the probability of corruption and on the building of independent power bases.

D. Economic Development

The principal themes of Cameroon's economic development, public policy, and administrative style have remained essentially unchanged from the mid-1960s to date, owing to the durability and consistency of President Ahidjo's control. These themes are developed in Section II and woven through the remainder of this report. This section, therefore, is limited to providing a brief account of the main trends in aggregate production and in population since independence. It is complemented by the statistical summary contained in Appendix B. Information on developments in specific sectors and principal policy areas is provided in the context of the analysis in Sections III and IV.

1. Aggregate Production

The team has estimated, on the basis of data from various Cameroonian and external sources, that in the 22 years since independence, the country's GDP per capita grew in real terms at an average annual rate of 2.91 percent. This was largely due to good performance in aggregate investment: the gross investment rate has averaged a respectable 17.4 percent of GDP from 1961 to 1980, continually accelerating from 12 percent in 1962 to 16 percent in 1968 and to well over 20 percent in recent years. While there has been some variation in economic performance in different periods, GDP growth has been much steadier than in most other developing countries, as the following World Bank staff estimates in Table 1 show (see also Appendix Table B-3).

This growth has been shared to an unusually uniform degree by the principal sectors of the economy. As Appendix Table B-2 details, no significant structural changes have occurred since independence, with agriculture showing a minor relative decline from about 36 percent of GDP in 1961 to 32 percent in 1979, the manufacturing industry experiencing a similarly small increase from 8 to 9.6 percent, and services (including utilities and transport) conserving their share of GDP of about 45 percent.

Beginning in 1978, oil revenues began to make a significant contribution to Cameroon's economy, and have grown rapidly to an estimated $720 million in 1980, close to $1 billion in 1981, and perhaps over $2 billion a year by 1990. (These are gross revenues. Net revenues to the GURC are about two-thirds of these amounts.) The timing was especially fortunate, in that oil revenues intervened to more than offset the severe decline in the world prices of commodities of export interest to Cameroon--particularly coffee and cocoa.

Table 1. Expenditure on GDP at Constant Market Prices: Average Yearly Growth Rates (Compound), for 1970/1966, 1974/1970, and 1978/1974

Item	Percentage Change 1970/1966	1974/1970	1978/1974
GDP	4.3	5.7	4.9
Imports of Goods	2.5	4.2	11.1
Imports of Nonfactor Services	9.8	-3.6	2.7
Total Resources	4.3	5.0	5.8
Private Consumption	3.9	4.1	6.7
Public Consumption	3.4	8.9	1.3
Gross Fixed Capital Formation	0.3	5.1	16.1
Changes in Stocks	0.0	14.9	-1.8
Exports of Goods	4.3	5.4	-0.7
Exports of Nonfactor Services	15.0	1.8	-0.7
Expenditures on GDP and Imports	4.3	5.0	5.8
Net Factor Income From Abroad	-18.6	0.0	-6.3
Expenditures on GDP	4.9	5.1	5.2

Source: World Bank staff estimates.

2. Population

As noted earlier, population growth has accelerated, from about 1.8 percent per year in the early 1960s to 2.2 percent in 1970, 2.47 percent in 1976 and an estimated 2.7 percent currently. A continuation of this trend could lead to as much as a 3.5 percent population growth rate by the year 2,000.[6] The acceleration of population growth has been due mainly to decreases in the death rate combined with a stationary fertility rate. However, the evidence of many other developing countries suggests that health and sanitation improvements that reduce

[6]USAID, Cameroon-Country Development Strategy Statement, FY 1983, January 1981. See also MINEP, Rapport de Synthese.

the overall death rate by lowering infant mortality eventually contribute significantly to reduce the fertility rate itself. This is because one reason for closely spaced births in developing countries is precisely the family's knowledge of the high probability of losing one or more of its offspring--who are, in turn, essential to the parents' survival in later years.[7]

The high birth rate has led, among other things, to a progressively younger demographic structure, and thus to a decrease in the proportion of active population, from 55 percent in 1960 to about 52 percent in 1981. It has undoubtedly contributed to an increase in unemployment and underemployment among the young--although quantification is impossible owing to the lack of reliable data. Further, the combination of population growth with rural-urban migration (also a consistent feature over the last 20 years) has led to rapid urbanization at the annual average rate of 7 percent, and to mounting social and economic tensions. Thus, MINEP concluded that "the employment problem has become one of the most crucial national problems. Events in agriculture, instead of helping to solve this problem have worsened it, owing to the recent tendency to an accelerating outmigration of active rural youth."[8]

Yet, while President Ahidjo has himself publicly remarked on the seriousness of the potential problem (in his speech at the 1980 UNC Party Congress in Bafoussam), in practice virtually no attention has been paid by the Cameroonian authorities to population and family planning programs. One contributing factor may be a very strong cultural bias in favor of large families and fertility (partly rooted in the facts of high infant mortality). Also, the Government of the United Republic of Cameroon (GURC) is reportedly concerned with the external security weakness arising from underpopulation in some frontier areas.

The team found, however, that several thoughtful elements within and outside the Government argue that population growth, _per se_, does nothing to alleviate underpopulation in the frontier areas; that the long-term threat posed by rapid population growth to _internal_ economic and social stability is potentially far more serious than possible border problems; and that a large-family bias can be lessened over time through reductions in infant mortality, Government education programs, and the

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[7]See, on this and related points, _Development Issues - U.S. Actions Affecting the Development of Developing Countries_, The 1982 Annual Report of the Chairman of the U.S. Development Coordination Committee, Washington; pp. 119-120.

[8]_Rapport de Synthese_, p. 111.

availability of contraceptives on a voluntary family planning basis.

II. THE BASIS OF POLICY FORMULATION IN CAMEROON

The formation of public policy, the relationship between policy and private economic activity, and the rate and pattern of development of the private sector in Cameroon have been governed by a number of fundamental guiding principles which were established early on in the history of independent Cameroon. For example, most of President Ahidjo's speeches and policy statements included in the book, The Political Philosophy of Ahmadou Ahidjo, were between 1960 and 1965. In light of the continuing effective control of the political system by President Ahidjo, and his consistency of thought and action, these guiding principles are as operative today as they were 20 years ago. They are carried through in the Fifth Five-Year Plan (1981-1986), the principal elements of which are summarized in Appendix C.

The basis of policy formulation is discussed below under four headings. This discussion should not be interpreted to imply that a rational policy scheme, fully worked out in advance, underpins every major GURC policy decision. Rather, individual policy decisions, shaped in large part by the guiding principles discussed below, have added up over the years to recognizable patterns of action.

A. National Cohesion

The foremost theme of the country's approach to economic policy has been and continues to be the assurance that no region or ethnic group forges too far ahead or lags too far behind the others. (But see the remarks below concerning the Anglophones.) This has called for deliberate attempts to offset, to the extent possible, the natural tendency of economic growth to produce increasing geographic concentration of economic activity.

Income distribution has four overlapping aspects: interregional, intergroup, intergenerational, and interpersonal. There may be a tradeoff between economic growth and each of these four aspects of income distribution. In Cameroon, each of the first three aspects of income distribution has been given practical recognition, even when doing this entailed a cost in terms of economic growth. Thus, the intergenerational aspect receives attention by giving younger elements access to education and later to positions of real (though not determining) influence in the making and implementation of economic policies.

More important from the standpoint of nation-building is the fact that the economic progress of the poorer North and greater economic integration between the various regions are pursued as policy objectives, even at a cost of aggregate economic growth. That the poorer North is also the President's home region, naturally, is not irrelevant.

In the making of investment decisions and policies, and in the allocation of governmental posts and responsibilities, attention is paid to the overlapping regional-ethnic dimension and care is exercised to preserve some balance. Thus, the Government policy toward the Bamileke--the largest single ethnic group in the country, heavily involved in the UPC insurgency of the late 1950s and early 1960s--has been by and large one of tolerance and conciliation (albeit colored by a continuing watchfulness of Bamileke "effervescence"). Thus, while the North--populated largely by Fulani peoples--has received special consideration as the poorer region of the country, through deliberate location of industrial and infrastructural projects, and the workings of the cotton development corporation (SODECOTON--see Section VI), it is not an accident that the Government has decided to locate the important new Agricultural University (see Section V.A) in Dschang, the traditional center of the Bamileke people--west of Bafoussam, but still within the Francophone area.

By contrast, the nation-building theme has not in practice included serious consideration of the linguistic dimension. Many Anglophone Cameroonians from the former West Cameroon (see map), feel that they--and their region--are short-changed by Government policies.

Also, interpersonal income distribution considerations have by and large been absent from priority Government concerns. Very little attention seems to have been paid to large and growing income disparities among individuals. As Section I noted, social services and health care are badly inadequate for a middle-income country like Cameroon, and the social indicators resemble those typical of low-income countries. However, there are indications that the GURC may be turning its attention to remedying the worst of the interpersonal income inequalities and their attendant social problems, not least because of their potential threat to national cohesion and stability.

B. Order

Order, including the strict limitation of individual actions and public debate in the political sphere, is a major hallmark of the Cameroonian polity. Order is promoted and monitored through the strong centralized Government structure, the closely allied and powerful party organization, the police and security forces, the Government-controlled cooperative societies, the Government-supervised rural development committees, the Government-regulated transport system, the traditional chiefs, and the *quartier* chiefs. This does not mean that there is not corruption or injustice; it means that corruption and injustice, also, are kept orderly.

Ahidjo's rule is considered by most observers to be authoritarian. The regime revolves around him, and he makes all the ultimate and vital decisions. Nevertheless, there is little of the arbitrariness usually found in authoritarian regimes. That there is substantive debate on economic matters appears clear given the statement of problems in the Fifth Five-Year Plan with its implied criticism of the way certain policies have been carried out.

C. Mixed Economic Control

The direct and unequivocal political and social rule allows for--perhaps facilitates--a less restrictive economic system which gives a considerable amount of latitude to private enterprise, greater than the norm in developing countries. The GURC has adopted what it calls "planned liberalism," as a means of achieving "self-reliant development." The real meaning of planned liberalism in Cameroon is mixed economic control.

Cameroon is a mixed economy in more than the usual sense. The Government's control over private economic activity is itself mixed, ranging from very direct intervention to a loose, *almost* laissez-faire attitude. *The exercise of public economic power is itself economical in Cameroon.* The Government does not appear to bother expending energies unless it considers the area in question to be not only important but also amenable to public influence.

Thus, the Government exercises a great deal of direct control and intervention on the manufacturing industry--along French *dirigiste* precedents--at the time of the *initial* decision concerning the granting of fiscal and commercial privileges (discussed later under industrial policy). Beyond that point, however, the Government's role becomes more reminiscent of British "indirect rule" practices. Similarly, the state's influence on export agriculture is pervasive, while food production has until recently been left pretty much alone.

As the main result of mixed control, the Government's influence on the allocation of resources among economic sectors, and thus eventually on the structure of the economy, is direct and substantial. Its influence on the efficiency of the use of resources within an economic sector, after they are allocated to it, is instead much looser. There are some controls on the functioning of private enterprise beyond the initial intervention decision, but they are generally mild, indirect, and unobtrusive. They are important more as potential checks on undesirable developments (see the "tortoise walk" below) than as ongoing influences on private day-to-day economic decisions. Public intervention in day-to-day economic activity in Cameroon is generally directed more at generating signals for private entities than at giving them instructions.

When public intervention has been substantial, the results have varied from the negative to the positive. Thus, public policies in the field of trade have had seriously damaging effects on the efficiency of resource allocation. In other areas, such as cotton production and marketing, state intervention has been very helpful to the development of private economic activity. We shall discuss these points later.

D. The "Tortoise Walk"

Observers describe the Cameroonian approach to economic policy as "prudent," "conservative," "unexciting," "stodgy," "pragmatic," "careful," and so on. It is unquestionably all of these. It has also been eminently successful. It has contributed to producing sustained economic growth for 22 years, adding up to a remarkable 2.91 percent average yearly increase in real per capita income.[9] This represents about a doubling of per capita income from independence to date--almost in line with the original Cameroonian target set at independence.

The cautious Cameroonian approach has been instrumental in preventing major economic errors--either because the slow pace allowed a clearer assessment of the road ahead, or because it permitted backtracking if the first tentative probes revealed the likelihood of serious economic difficulties. A Cameroonian official put it as follows: "If you keep your feet to the ground, you can feel the holes and go around them; but if you jump, you might land in one and get hurt." This attitude is

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[9]Team estimate, based partly on World Bank data.

also clearly related to the national cohesion objective, and to the corresponding determination not to allow anyone to rock the boat, even if this could make it go a little faster.

The most dramatic recent manifestation of the tortoise walk, combined with the stability theme, is the GURC's policy toward oil and its revenue. The Government appears determined not to permit a destabilizing "gold rush" of the Nigeria or Gabon type. Accordingly, it has stressed the transitory nature of the oil asset; underlined the importance of the "permanent" economic activities such as agriculture; kept a tight cover of secrecy on the amounts of oil revenue and its current disposition; and handled the greater part of the revenues strictly "off budget," not allowing them to affect the level of current expenditures. This policy does have disadvantages, because the strict separation of oil from the rest of resource allocation decisions impairs the calculation of economic costs and benefits and reduces the effectiveness of planning. One could, however, view these disadvantages as akin to an insurance premium. While the drawbacks of the current oil policy are real and significant, the potential costs of a disruptive "gold rush," if one did occur, could be enormous in Cameroonian national terms.[10]

Certain recent investment decisions by the GURC are inconsistent with the historical pattern: among them is the construction in Yaounde of a huge "People's Palace" cultural center, a new Presidential Palace, and the decision to introduce color television throughout the county. The latter can contribute to national cohesion, but the former projects partake more of the flashy, status-conscious public expenditure pattern of a Gabon than of the characteristically cautious and sensible Cameroonian attitude. A minority view interprets these projects, combined with others such as the upgrading of the Yaounde-Douala road, the transformation of Garoua's airport into an international airport, and a new Yaounde airport, as worrisome evidence of a permanent abandonment of the tortoise walk. A majority of observers, instead, consider the road and the Yaounde airport project long overdue (but not the Garoua project), and see the palaces as an understandable indulgence

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[10] A much less favorable interpretation of the secrecy surrounding oil revenues and their disposition is that the oil fields are located in the relatively neglected Anglophone section of the country. Thus, it is argued, the GURC plays down the importance of oil in order not to cause further resentment among Anglophones. Whether in turn this is an instance of "selfish political motives" or of "far-sighted statesmanship" is in the eye of the beholder--just as is the case in the lagging-North argument.

in a few well deserved "luxuries" financed by the oil windfall. They note that the President deemed it necessary to defend the construction of the Presidential palace in a radio speech, and do not feel that these decisions imply a change in the cautious approach to public investment and economic policy in general.

E. An Interim Conclusion

The geographical position of Cameroon and the political history of Central Africa give context, credibility, and legitimacy to the guiding principles discussed in the introduction to this part. It also must give pause to would-be critics. Consider: To the west of Cameroon is Nigeria, where ethnic and economic rivalries led to a bloody and protracted civil war. Proceeding clockwise we find Chad, today in a state of utter civil disintegration and warfare between and within Northern and Southern factions. To the east is the Central African Republic, "governed" by a military council and until only three years ago the exclusive preserve of a megalomaniac autocrat. Further to the south are Congo-Brazzaville (hardly a model of development), Gabon (possibly the best example of "oil rush" fever gone wild), and finally Equatorial Guinea, until a short time ago ruled by a certifiable psychopath who spread a blanket of blood and terror over the entire population. In the midst of all this stands Cameroon, authoritarian, yes, but also peaceful, sane, and relatively prosperous. Cameroonians are keenly aware of this reality, and of the fact that--at independence--their country exhibited many of the same characteristics that led to strife and mayhem elsewhere in the region. This is the fundamental accomplishment of Cameroon, and it is against this backdrop that any responsible policy criticisms, assessments, diagnoses, or recommendations must be formulated.

III. EXTERNAL POLICY AND ECONOMIC EFFICIENCY

A. Exchange Rate Policy

As a member of the African Financial Community (CFA), Cameroon shares a common currency--the CFA franc (CFAF)--with other francophone African countries of Central and West Africa. The CFAF is pegged to the French franc (Fr.F.1 = CFAF 50), and for all practical purposes, is convertible.

At the time of writing, Cameroon imposed no restrictions on international payments and transfers for current transactions. The problems and inefficiencies associated in many developing countries with exchange restrictions and overvaluation are thus absent from Cameroon. If anything, it may be argued that the CFAF rate overstates the scarcity value of foreign currency in Cameroon, following the June 12, 1982 devaluation of the French franc.

This is not the place to review the question of the costs and benefits of pegging a developing country's currency to that of a major trade partner. It is worth noting, however, that the advantage of greater certainty in international trade diminishes as the proportion of total trade accounted for by the major trade partner diminishes. It is not surprising, therefore, that as part of the newfound assertiveness of Cameroon--its desire to expand the sphere of its economic and monetary policy autonomy, and the anticipated decline in the relative importance of trade with France--various rumblings are heard concerning the possibility of delinking the Cameroonian currency from the French franc.[11] The desire to support continued economic integration with the other countries of Central Africa, however, militates in favor of remaining in the franc zone. In any case, given the tortoise walk, it is certain that no drastic changes in the country's monetary system or exchange rate regime will be undertaken without deliberate, slow consideration over a period of years.

B. Import Policy

It is necessary to examine import policy partly in light of the domestic industrialization objectives (discussed more fully in the next section), as the development of manufacturing in Cameroon has been associated with certain trade policy measures.

On average, the import policy of Cameroon is less restrictive than that followed in most developing countries. However, in keeping with the "mixed control" economic approach, this policy "average" encompasses provisions that range from the prohibitive to the very liberal. Specifics are set forth each year in a document from MINEP, entitled "General Trade Schedule." In recent years, there have been four categories of restrictions:

-- "Sensitive" products, the import of which can only be authorized under certain very restrictive conditions,

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[11]For example, an article in the Cameroon Tribune of June 15, 1982, describes the "bitter taste" left in some countries of the franc zone by the 10 percent devaluation of the franc decided on June 12, 1982.

e.g., wheat flour, refined sugar, portland cement, matches, jute bags.

-- "Regulated" products which can only be imported with authorization under a system of jumelage, that is, the importer must purchase a fixed amount of similar, locally produced goods, concurrent with the import. Imports of rice, certain cotton-woven fabrics and certain types of footwear have been subject to jumelage; the list of regulated products has grown in recent years.

-- Other regulated products, such as vegetable oils, granulated industrial sugar, soap, garments, some paper products, etc.

-- Products freely imported. However, import licenses are still required for import transactions in excess of 500,000 CFAF (U.S.$150,000)--presumably for statistical purposes.

As part of the industrialization strategy of "last touch" import substitution (see Section IV.C), the GURC granted to selected firms protection from competing imports, and exemption from customs duties on imports of materials and equipment. (See Appendix D for a full listing of all taxes and duties as of mid-1981.) This double commercial advantage eventually turned out to have the beneficial effect of containing the inefficiencies of protection. In the latter 1960s, the easy phase of import-substituting industrialization had about run its course. In similar circumstances, other countries have yielded to the temptation to push into the really costly substitution of domestic production for imports of materials and equipment.[12] In Cameroon, the vested interests created by the earlier concession of exemptions of duties on imported inputs and equipment probably helped the GURC to resist that temptation. Thus, from 1975 to 1980, imports grew by over 10 percent per year in real terms, and about three-fourths are accounted for today by producer's goods, materials, and equipment.

However, the combination of nominal restrictions with free imports of inputs and low value-added import-substituting activities have made for very high rates of effective protection. The misallocations of resources fostered by import restrictions therefore have been significant, and have indirectly constituted one of the restraints to diversification, competitiveness, and eventual expansion of manufactured exports.

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[12]See, for example, S. Schiavo-Campo, Import Structure and Import Substitution in the Central American Common Market.

C. Export Policy

The Cameroonian industrialization policy aimed at fostering industries adapted to the needs of the local market and, later, to the UDEAC market. In the words of the Fifth Plan, "this resulted in a very timid export policy."[13] Beginning in 1973, however, certain measures favorable to exports were taken. Currently, the GURC policy statements favor increased exports, including particularly industrial exports. However, in practice a net anti-export bias still exists, partly owing to export duties ranging from 2 to 42 percent.[14] These are justified by the Government on fiscal grounds: they account, however, for only about 14 percent of total tax revenue.

In the Fifth Plan, it is argued that the export stimulus from an elimination of export duties is needed since the trade balance "is persistently in deficit when proceeds from oil are not considered." Since oil sector receipts should continue throughout the Fifth Plan period, this balance-of-payments argument is considered weak. On the other hand, an expansion of exports would permit significant liberalization of import restrictions without giving rise to external financial difficulties, and is desirable on this score.

Probably more important than the average level of export duties is their wide variation, which could distort the allocation of resources to different export products. It would thus seem more appropriate to review the situation of individual export products, especially since the June 12, 1982 devaluation of the French franc has already had the same effect as an equal reduction in export price (approximately 10 percent).

Rather, export expansion and diversification requires attention to be focused on the side of supply. Expansion and diversification of exports will require in Cameroon, as in any other country, greater investment, deepening of capital, increases in productivity and improvements in the efficiency of resource use. All of these require a more favorable trade policy climate and certain specific export promotion measures.[15]

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[13]Fifth Plan, p. 509.

[14]There is also a disincentive to agricultural export production, built into the administered producer price mechanism--see Section IV.E.

[15]The Fifth Plan singles out, among other things, the need for a more flexible and less "suspicious" procedure in Central Bank documentary requirements for financing exports.

Firms also require the creative stimulus of greater competition from sources of imports in order that some may eventually come to compete with these same sources of imports on the world market. There are tentative signs that some influential elements within the GURC are beginning to consider a careful and gradual turning away from the inward-looking industrialization perspective of the early years.

D. Product and Geographic Diversification

The GURC has had an official policy of both product and geographic diversification of its foreign trade--exports and imports. However, aside from an increase in the processing of cocoa products, about the only significant product diversification that has taken place has been the addition of petroleum to the list of exports. There is still a very high dependence on primary commodity exports--clearly not the result of sound policy. Increases in industrial exports have been particularly disappointing, again, indirectly owing in part to the restrictions on imports of manufactured goods and the ensuing noncompetitiveness of local industry. (Industrial products account today for less than one-fourth of total exports.)

The availability of petroleum has led to some geographical diversification in that exports to the United States have increased substantially. On the import side, however, France maintains as large a role as it had five years ago, albeit not as dominant as in the early years after independence. Further trade diversification, particularly in the direction of other African countries, is one of the explicit goals of the Fifth Plan.

E. The Role of UDEAC

Cameroon is a member of the Central African Customs and Economic Union (Union Douaniere et Economique de l'Afrique Centrale--UDEAC) along with the Central African Republic, Congo and Gabon. Trade within UDEAC is subject to a special regime. Most duties are fixed by a treaty which specifies a common external tariff. For goods and firms for which trade within the customs union is sanctioned by the UDEAC Council of

Ministers, there are no barriers to trade except for the Single Tax (Tax Unique).[16]

UDEAC countries have represented a significant market for Cameroon's exports of manufactured products. However, when combined with Cameroon's own import restrictions, UDEAC has also acted as a disincentive for Cameroon to improve its competitiveness for exports outside of the area. As the potential of the UDEAC market diminishes because of increased import substitution activities in the other member states, it will become more and more important for Cameroon to find new markets for its exports outside the regional market.

This discussion should not be read to imply a negative judgment on the long-term effect of regional cooperation and integration among developing countries. On the contrary, in Africa and elsewhere regional integration is often the only mechanism to overcome market size constraints of individual developing countries. It is true that inward-oriented, high-protection regional integration arrangements have typically run into problems over the long term. But, precisely as in the case of import substitution in a specific industry in one country, regional integration schemes that have an outward orientation as the long-range goal--and that are expressly designed with an eye to eventual competitiveness of regional exports on the world market--can make a vital contribution to the economic development and foreign exchange earnings of each member country. By available indicators, however, this has not been the case of UDEAC, at least until now.

IV. INTERNAL POLICIES AND THE PRIVATE SECTOR

A. Public Investment Policy

Although the GURC holds equity in a number of enterprises, it generally does not engage in direct public production. The Government's principal private agent for equity participation in private enterprise is the National Investment Corporation of Cameroon (Societe Nationale d'Investissement du Cameroun--SNI).

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[16]The Single Tax is a tax on output (accompanied by duty free import of inputs) which is set product by product. It usually varies between 8 and 18 percent and is collected by the country of consumption as partial compensation for the loss of tariff revenues.

SNI was established in 1964 as a fully state-owned company to promote development in industry, agriculture, and trade. Its objectives are to mobilize national savings, to make or finance project studies, to finance investments through equity participation, loans, or guarantees, and to manage the direct investments of the state and of the public institutions. As of June 1981, SNI's portfolio was valued at 19 billion CFAF in participations and 12 billion in loans (U.S.$63 million and $40 million, respectively).[17] It has a competent staff, many of whom have graduate school training from the United States. The GURC guarantees borrowing by SNI; the subsidy element is thus embodied in the lower interest rate.

SNI has mostly channeled funds into large-scale Government-promoted projects; support to small-scale enterprise has been minimal. In principle, SNI participation is governed by efficiency and commercial profitability criteria--either current or anticipated after an initial transitional period. SNI insists that it is interested in protecting the financial integrity of the institution. However, in practice, SNI has participated in a number of commercially unprofitable ventures. Occasionally, the GURC pushes SNI to invest in a particular company for other than commercial profitability reasons. In these cases, SNI management says that it explains to the GURC the costs of such investment and requests a specific subsidy schedule to cover its anticipated losses. This has the considerable advantage that subsidies are explicit rather than hidden--and thus much more carefully evaluated and granted. (Of course, these subsidies would, or would not, be justified depending on whether the activity in question is in the long-term interest of the national economy.)

The GURC has also used the Cameroon Development Bank (Banque Camerounaise de Developpement-BCD; See Appendix G) and the National Produce Marketing Board (Office National de Commercialization des Produits de Base--ONCPB--see section E below) as vehicles for participation in private enterprise.

In general, it would appear that the SNI operation and other GURC public investment policies and programs have not created obstacles to private investment, but in a number of cases they have facilitated it.[18]

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[17]At CFAF 300 per U.S.$--the rate shortly before the June 1982 devaluation of the French franc.

[18]Additional information on SNI, including provisions of the Investment Code and a listing of projects for which private investment is being sought, is included in Appendix E.

B. Pricing Policies

The GURC has a nominal price control system covering the prices of certain essential commodities and virtually all locally manufactured products and all local industrial products (including building materials) and services. It is largely unenforced, however, and thus not operative. In addition, as discussed in Section IV.E, the National Product Marketing Board (ONCPB) producer prices are established and effectively implemented for the principal agricultural export commodities--cocoa, coffee, cotton, palm oil. Recently, the Cereals Office (Office Cerealier--OC) was established to moderate seasonal and regional price fluctuations of grains, including the traditional cereal grains--sorghum and millet. The OC does not, however, have the resources needed for effective stabilization of pre- and post-harvest grain price fluctuations.

The Price Directorate (Direction des Prix) in the Ministry of Economy and Planning is responsible for the implementation of the consumer price control system. Prices of certain essential commodities, of locally manufactured products and, since July 1979, of all local industrial products and services, are approved on the basis of production cost evaluation (homologation des prix). For locally produced foodstuffs, retail prices are subject to a system of administered prices (valeurs mercuriales). This consumer price control system is largely ineffective.[19]

The price control mechanism was strengthened in 1979 by increasing the number of agents monitoring prices and by recourse to fines, arrests and the closing of offenders' stores. However, team members were told in the North and in the West that retail prices were virtually uncontrolled and uncontrollable because so much trade takes place in the open air markets (which are quite numerous in all areas of Cameroon, including Yaounde and Douala). In competitive markets, unenforced price controls are economically the next best thing to no controls at all. The impact of price controls is probably felt only in Yaounde and Douala, and then only, justifiably, by larger firms benefiting from the Investment Code or other special provisions which the GURC has occasionally been known to revoke because of alleged gouging by a firm with a monopoly.

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[19]This is true with the exception of the equalization of refined petroleum, production prices in different geographic regions, and perhaps, of controls on the price of rice and meat--and even then only covering the major outlets.

Serious economic difficulties are created, however, by the fact that only a few wholesalers are authorized to deal in certain commodities--e.g., sugar, cement, rice, cottonseed oil. The wholesaler obtains the commodity at the official price but the retail distribution system does not always follow suit in practice. For example, it was reported to us that a buyer paid an exhorbitant price for a few tons of cement owing to his inability to travel to Douala and buy it from the factory. There is also some evidence of commodities moving into neighboring countries--especially Gabon--because of the price differentials. The licenses for the distribution of food staples are issued by MINEP. The criteria for the choice of licensed wholesalers are not clear. What is clear is that both the efficiency of the distribution system and the interest of consumers would be well-served by opening the system to more competition.

C. Industrial Policy

At independence, the only significant manufacturing activities in Cameroon were tobacco, brewing, and aluminum. To these were added (over the last 20 years) food processing, chocolate, wood, textiles, shoes, leather, construction materials, rubber, and others. Nevertheless, while in 1960/1961 manufacturing accounted for 22 percent of GDP--after a peak of 23 percent in 1969, it fell to 18.1 percent by 1980. And within the manufacturing sector, the traditional industries have declined in importance, from 47 percent of total manufacturing in 1965 to 33 percent in 1970 and less than 20 percent in 1980.

Effective economic development policies require, among other things, close links and consistency between industrial policy, public investment, and trade policy. As we saw in Section IV.A., there is evidence of a link between industrial policy and public investment measures in Cameroon. However, the equally important link of industrial policy to trade policy has been much weaker, and in some cases the combination of industrial and trade measures has had perverse results on the development of Cameroonian manufacturing and its efficiency.

1. The Objectives of Industrial Policy

Cameroon's First Development Plan (1961-1966) gave priority to the development of agriculture and infrastructure. As for industry, preference was given to import substitution activities that could eventually lead also to exports to neighboring countries. Processing of local raw materials for export was only seen as a long-term possibility. Given the country's lack of capital and skills, it was recognized that industrialization would have to rely on external supply of these factors. A generous investment code (discussed later in this section) therefore, was, promulgated in 1960.

The Second Plan (1966-1971) put the emphasis on the diversification of domestic industrial production, in particular by increasing the use of local materials, the processing of agricultural products, the creation of employment and promotion of qualified nationals, and the regional distribution of industry. It was at the beginning of the Second Plan, in 1966, that the UDEAC was created.

The Third Plan (1971-1976) intended to give a new orientation to industrial development, turning from an import-substitution strategy to a resource-processing export-oriented strategy. This orientation was not, however, translated into actual policy measures. During this period a number of measures were taken to promote the development of small- and medium-scale enterprises (SMEs); in particular, a technical assistance agency and a loan guaranty fund for SMEs were created.

Under the Fourth Plan (1976-1981), private investment was encouraged. However, public investment accounted for almost two-thirds of total investment, in part as a result of Government policy and because of inadequate private resources. Although the Fourth Plan recognized the importance of the promotion of SMEs in future industrial development, it did not include specific measures or targets for this sector.

The draft Fifth Plan (1981-1986) again contains clear language in the direction of stimulating manufactured exports.[20] In direct contradiction with this goal, however, statements in the Fifth Plan appear to advocate first- and also second-stage import substitution.[21]

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[20] Fifth Plan, Vol. III, pp. 442 ff.

[21] "A coherent industrial strategy should [include] the search for greater industrial autonomy by getting local industries to meet potential and effective national demand" (p. 457). "Our industry should be internally oriented in order to create a multiplier effect" (p. 456), and to solve the problem of a "distinctly foreign-oriented industry set up (imported capital goods, raw materials, foreign capital and technical experts)" (p. 455).

Currently, the industrial policy objectives are as follows:

- -- Transform local resources further
- -- Supply the domestic market, insofar as it can be done competitively and efficiently
- -- Generate employment
- -- Promote Cameroonian entrepreneurship
- -- Improve the regional distribution of economic activity

To achieve these objectives, the GURC has two sets of instruments:

- -- Institutions for promoting SMEs
- -- The incentive system

2. Promoting Small- and Medium-Scale Enterprises (SMEs)

The GURC has established institutions and taken measures to assist SMEs. In 1970, it established the National Center of Assistance to SMEs (Centre National d'Assistance aux Petites et Moyennes Entreprises: CAPME) to perform feasibility and market studies, to provide assistance in the preparation of applications for Investment Code status and for bank loans, etc. (CAPME is discussed further in Appendix G.) In 1975, the SME Aid and Credit Guaranty Fund (Fonds d'Aide et de Garantie des Credits aux Petites et Moyennes Entreprises--FOGAPE) was established to provide loan guaranties for promising small projects which could not obtain commercial bank financing because of insufficient security. Also, the Cameroon Development Bank (BCD) has special credit lines for SMEs. Finally, commercial banks are required by law to reserve 20 percent of their short-term credits for loans to small and medium enterprises. There are, however, serious questions on the effectiveness of these measures in stimulating SME development, particularly as regards the small projects and firms. These matters are discussed in detail in Appendix G.

3. The Incentive System

The major elements of the incentive system include very high levels of protection from foreign competition and generous fiscal incentives granted to selected firms producing for the domestic and regional markets. These incentives are primarily provided through the Investment Code, the UDEAC, and the yearly General Trade Schedule (Programme General des Echanges). The latter two, including particularly the pairing system (jumelage), were discussed earlier.

Cameroon went beyond the incentives given by many other developing countries, and complemented its commercial policy measures for import-substituting industrialization with very generous fiscal concessions. These are embodied in the Investment Code (reproduced in its entirety in Appendix E).

Incentives available under the Investment Code are divided into six different categories or "regimes," A, B, C, D, Timber Industries, and Small- and Medium-Scale Enterprises (SME). Categories A to D offer exemption from custom duties on capital equipment and imported raw materials for periods from 10 to 25 years, and provide a grace period on profit taxes. Timber Industries are eligible for similar, although somewhat less attractive privileges.

In effect, though not explicitly, the most important criterion determining the regime offered by the Government is the size of the investment.

All productive enterprises, including artisans, which are not "important enough" to qualify for the other schedules may qualify for SME status and be granted a reduction of custom duties on equipment to a flat 5 percent ad valorem for up to five years. (Raw material imports, however, are not exempted.)[22]

The key feature of the incentive system in Cameroon is that it functions on a "case-by-case" rather than on a "generalized" basis. In a generalized system--which typifies many advanced market economies--the Government sets the framework, for instance, tariff levels or interest rates, and investments are made thereunder on the basis of purely private or decentralized decisions. In Cameroon, most investment decisions in the modern sector are contingent on a Government decision to provide the enterprise in question import protection through

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[22]In addition, all enterprises may apply separately for TIP status (Inland Production Tax) or the TU status (Single Tax). The TIP status provides for exemption from import duties on raw materials as well as from several internal sales taxes. A partial or complete exemption from export taxes can also be granted. In return for these privileges, a special tax is levied on production at the time it leaves the factory for sale to internal markets. However, the TIP status applies only to industrial products and is granted only to enterprises with a "sufficiently large" investment and a "sufficient" volume of production. The TU status is similar to the TIP status for firms exporting within UDEAC and provides for exemption from import duties on raw materials and machinery in exchange for the levy of a single tax set up on a firm-by-firm basis by intergovernmental agreement.

direct controls and to grant duty-free import of inputs. Although there is no legal barrier to prevent entrepreneurs from making unilateral investment decisions if they are prepared to forego Government incentives, in practice they do not do this, because it would be much less attractive than with Government incentives.

The case-by-case approach in all probability was sound at the time of independence, and for several years thereafter it stood Cameroon in good stead. This is because such an approach is feasible when only a few investment applications are presented each year, especially considering that the GURC was at that time "feeling its way" with industrial policies. But, with accumulated experience and the increased tempo of activity (280 new enterprises were established in 1980), a systematic and streamlined procedure appears more and more desirable. However, such a shift from the case-by-case approach to a quicker and more automatic procedure for granting incentives would have to be accompanied by a strict post-audit and evaluation. If so, the incentive system would remain as relatively free from corruption as it is now but would operate far more efficiently. U.S. economic and technical assistance for the establishment of a strict and effective post-audit and monitoring system--should the GURC decide to move in that direction--might be an extremely helpful use of scarce aid funds. The fundamental policy issue, however, concerns not the efficiency of the incentive-granting procedure, but the desirability of the incentives themselves.

In the absence of explicit criteria that would automatically enable enterprises to receive the incentives, the efficacy of the Investment Code as a means of implementing the Plan's development strategy is entirely dependent on the manner in which it is applied. This situation also holds some potential for arbitrariness and favoritism.

4. Cameroon's Industrial Policy: An Evaluation

In actual application, the team's research confirmed that the case-by-case approach to the granting of incentives has had three major adverse effects on the industrial structure. First, it encourages large-scale firms. Cumbersome administrative procedures discourage the smaller entrepreneurs from seeking to benefit from possible incentives, whereas limited administrative capacity encourages the Government to maximize the amount of investment per unit of administrative input. Second, it tends to encourage foreign, rather than indigenous, investment. Cameroonian ownership and management are not promoted through this approach because the preference for large projects creates a need for foreign investment and its expertise, advanced technology, and know-how to manage large industrial ventures. Third, it discourages the growth of a dynamic, competitive, and diversified industrial structure. The Government's active involvement in the establishment of and equity participation in large industrial projects carries an implied practical commitment to keep them in operation. As a consequence, some industries that perform poorly continue to operate often under the guise of preserving employment, while potentially productive firms have little inducement to improve efficiency, innovate or localize, knowing that their existence is guaranteed. Moreover, the incentives create a bias in favor of imported inputs and away from backward linkages with the small indigenous enterprises.

Some elements in the GURC are aware of most of these shortcomings and distortions, and the need for a revision of the Investment Code is clearly stated in the Fifth Plan. In spite of several attempts to find out in which direction the Code is to be revised, the only answer the team obtained was that the matter was "under study" and that it would be "premature" to discuss it.

The limited market size poses in Cameroon, as in most other developing countries, a steep tradeoff between competition and technical efficiency. This is because the minimum efficient scale entailed by modern technology usually permits only one or two efficient plants in any given industry. While this is not the case in retail trade, agriculture, and some small-scale manufacturing, in most manufacturing industries, seller concentration is inevitably very high.

When barriers to the entry of new firms--or to competition from imports--are kept low, a small number of sellers does not in and of itself lead to an inefficient market outcome. This appears to be the case, for example, of Cameroon's textile industry (see Section VI.B and Appendix I). When Government policy acts to lower the barriers to entry arising from the economy's financial structure, technological indivisibilities, inadequate economic information--it tends to make a positive contribution to private sector development and to the efficiency of resource allocation. When instead, as in many fields of Cameroon's manufacturing, public policy adds its own barriers to entry--in the form of special licensing, tariffs, administrative delays, etc.--to the ones inherent in the structure of a developing economy, it tends to do harm to economic efficiency and growth, as well as equity.

To sum up, the disadvantages and economic problems pointed out by critics of the industrialization policy followed since the advent to independence are as follows:

-- The case-by-case review of the granting of commercial and fiscal concessions has hampered the realization of the country's possible comparative advantages in certain broadly defined industrial areas. This review has worked against smaller enterprises and Cameroonian ownership and management and has also kept certain foreign investors from seriously trying to establish operations in the country, from the belief that investors from other countries would be preferred on extra-economic grounds.[23]

-- The fiscal incentives have tended to be much too generous, and have constituted unearned "rent" much beyond that needed to attract the investment.

-- The commercial protection has been excessive, and has resulted in a virtual grant of monopoly to the firm chosen.

-- Related to the previous points, the protective policy has created "hot house industries" and has worked against the incentive to diversification, investment, and Cameroonization of the economy--by favoring in practice large expatriate firms.

In Cameroon as elsewhere, the import-substituting industrialization policy has thus been adverse to the efficiency of allocation of resources--not in and of itself, but because it was not planned and implemented with the express purpose of building a base for a later expansion of exports competitive on the world market. Little attention seems to have been dedicated to assuring that the new activities would have sufficient incentives--of the negative as well as the positive kind--to improve their productivity, expand their base, utilize more and more the natural advantages of the country's factor endowments, and thereby possibly acquire a comparative advantage on the external market (beyond UDEAC) and contribute to a later expansion of exports.

Also, since a large proportion of the new industry entailed only a very small local value added and operated largely with imported inputs, the balance of payments advantages were very slight and the domestic multiplier quite small.

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[23]This belief appears unjustified. Whenever American potential

We are led to conclude that the combination of import restrictions, tax concessions, and other incentives through the Investment Code, and the partial actualization of the ensuing monopoly power granted to the (largely foreign) firms, resulted in substantial subsidization of those activities at the expense of the public treasury and of the public. In a nutshell, the income redistribution effects must have been considerable--and have constituted in practice a redistribution of income from private Cameroonians to the expatriate owners and managers of the firms involved.

It is essential to note, however, that in this as in virtually all areas of GURC economic policy, the "tortoise walk" approach has intervened to limit the damage and keep inefficiency down to a manageable level and to reversible forms. First, while the very low domestic value added of the new import-substituting industrial activities cut down on the domestic multiplier, it had the advantage of keeping down the total cost of a misallocation of domestic resources as well. To have insisted, as other countries did, on a large domestic percentage of total value added would have led to a larger domestic multiplier--and thus to faster growth in the initial period--but at the cost of correspondingly greater, and much less easily reversible, economic dislocations in case of a mistake in the initial industry selection.

Second, the GURC was wise enough to eventually limit the inefficiency to that already built into the system. Unlike in many other developing countries, the Government in Cameroon did not yield to the temptation to cross the line into the far more serious economic dislocations that would have been entailed by pushing import substitution in activities other than "last-touch" value added, once it became clear that that stage had become exhausted. That would have carried the risk of substantially impairing the efficiency of resource allocation as a whole and crippling prospects for an eventual revitalization of growth on a more competitive, outward-oriented basis.

Third, there is qualitative evidence that import substituting firms generally have been, and are, prevented from fully exercising their potential monopoly power. Certainly the production cost evaluation system, while cumbersome, has served that purpose. (See Section IV.B.) The GURC also has other means of pressure at its disposal: in one case, it was reported that an enterprise was stripped by Presidential decree of its status under the Investment Code. It appears on balance that industrial prices, while higher than the competitive c.i.f. import prices, are probably in most cases significantly below the full monopoly level.

Characteristically, there are signs that a significant rethinking is under way. While the "export promotion" steps envisaged in the Fifth Plan are notable for their weakness, an Investment Code revision is likely. If to that revision were to be added a selective relaxation of import restrictions addressed at stimulating greater industrial efficiency, and other domestic measures (formal or informal, through SNI or through other inducements) to foster higher self-financing through retained earnings, investment, and capital deepening by industrial firms--the desired expansion of exports, diversification of the industrial base, and increased participation by Cameroonian capital and management might well finally get underway. At the very least, such measures would reduce the implicit taxation burden suffered at present by Cameroonian buyers of domestically produced manufactured products. It does not appear, however, that any consensus has yet emerged within the GURC on a coherent strategy embodying the indispensable link between industrial policy and on outward-oriented trade policy.

D. Financial Policies

In general, monetary policy in Cameroon has been limited to fairly modest compensatory movements, to accommodate the cautious tax and spending policy of the Government and external financial developments. This limited role of monetary policy has been due both to the pegged CFAF and to the regional monetary activities of the Bank of Central African States (Banque des Etats de l'Afrique Centrale--BEAC), discussed below.

In 1975-1980, largely owing to the impact of external changes rather than deliberate public action, a number of significant developments occurred. Total monetary resources expanded substantially, along with an increase in domestic credit; at the same time, however, the credit position of the state was considerably strengthened. On balance, when combined with the satisfactory growth performance of those years, these monetary developments resulted in a manageable rate of inflation, averaging about 10 to 12 percent per year.[24]

Cameroon is a member country of BEAC, along with Chad, Congo, Gabon, and the Central African Republic. (The regional BEAC is a relatively weak institution, however, and does very

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[24]Estimated on the basis of data from the Direction de Statistique, MINEP. Perhaps significantly, inflation was faster for Cameroonians than for expatriates; in 1971-1979 the price index for a typical consumption basket of Cameroonian moderate-income families rose by 154 percent, while that for an expatriate consumption basket about doubled.

little research in monetary and related topics.) Credit policies for the member countries are determined within the context of the monetary position of the five-country area as a whole and implemented through national offices of the Bank. Banking and credit operations within each member country are supervised by BEAC, which also provides extensive short- and medium-term rediscounting facilities to the banks. Maximum amounts of short-term credit (up to 18 months maturity) are determined annually for each country. For rediscounting of medium-term loans (up to 10 years), instead, country ceilings are not established: an aggregate ceiling is set every year for the five countries taken together. The actual management of these ceilings is flexible, to allow the achievement of national objectives while taking into account sectoral and project priorities. Within BEAC, Cameroon has always been the most financially conservative country, the only one which has regularly kept its deposits with the Bank of France in excess of the required amount.

Concerning Cameroon itself, from 1960 to 1973 banking developed very slowly. After 1973, a banking reform gave some impetus to banking development, concentrated in Douala and Yaounde. To facilitate access to credit by SMEs, it was made mandatory in 1974 for each commercial bank to lend a minimum of 20 percent of its short-term loans to SMEs. The commercial banks have been able to meet and sometimes exceed this target, but the thrust of such lending has generally been for relatively risk-free commercial financing as opposed to manufacturing SMEs.

Generally, as discussed further in Appendix G, banks have not proven to be a flexible and substantial source of development finance. Almost 45 percent of short-term credit went to finance speculative activity; medium- and long-term credit has accounted for only one-fourth of total credit, and for only about 10 percent of private banks' credit. (But see discussion of interest rate controls, later in this section.) As for private firms, notwithstanding the substantial tax and import protection advantages they have received, self-financing from retained earnings has been insufficient, and has declined in the period of the Fourth Plan (1976-1980).

Interest rates in Cameroon are regulated by the Central Bank and are established in relation to its own rediscount rates. For nonprivileged, nonrediscountable credit, the short-term interest rate ceiling is 14.5 percent and 12 percent for medium-term credit--an anomaly which has played a role in creating a bias towards short-term lending. Interest rates paid on deposits are regulated for amounts below CFAF 10 million (U.S.$30,000) on demand deposits and below CFAF 5 million (U.S.$15,000) on term deposits. They vary from a low of 4 percent to a high of 7.5 percent depending on the amount and the term. For larger amounts, rates are left free to be negotiated between the parties. Savings accounts earn a flat rate of 7.5 percent. (The detailed structure of interest rates in Cameroon as of 1980 is shown in Appendix F. Financial institutions are discussed in detail in Appendix G.)

In recent years, medium-term interest rates have been kept relatively low in order to encourage investment and keep down public debt service payments. However, this has often resulted in medium-term interest rates substantially lower than international ones, which may have encouraged companies to substitute domestic for foreign borrowing, while simultaneously discouraging domestic savings and biasing commercial bank lending toward short-term credit. Controlled interest rates can generally be presumed to have an adverse effect on the efficiency of resource use (by leading to a more capital-intensive set of techniques), on social problems of unemployment and underemployment, and on economic welfare (by fostering discrimination against the smaller, less well-connected savers and potential borrowers).[25]

There are specific features of Cameroon's economy, however, that render these conclusions a little murkier in this particular case. First, the pegged CFA franc contributes to reducing Cameroon's monetary policy autonomy, which is already limited by the difficulties of using open-market operations, discount rate changes, and reserve requirement changes in a thin capital market. Thus, direct interest rate and credit allocation control is the only monetary policy instrument effectively available. Second, in typical GURC fashion, the gap between interest ceilings and the probable market rates has not been allowed to become substantial, with the exception of the last two years, 1980 and 1981, during which international interest rates reached unprecedented levels. It appears that real interest rates on all types of loans have very rarely--if ever--been negative. (Again, the more recent experience of accelerating inflation has resulted in unusually low real interest rates.) Third, the high investment rates experienced in Cameroon (well over 20 percent of GDP in recent years) are consistent with--although they do not prove--the GURC contention that interest rate controls have served to stimulate investment. Fourth, there is some evidence that the private banks (at least until the recent arrival on the scene of some major U.S. banks) were behaving in less than competitive and aggressive ways. The existence of capital market imperfections in principle justifies public action to remedy these

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[25]For an elaboration of these disadvantages, see S. Schiavo-Campo, ed., Monetary Policy in a Small Developing Country, Parkinson Memorial Series, University of the South Pacific, Sawa, 1978.

imperfections. However, fostering more banking competition might be more effective than preempting the interest rate mechanism for the allocation of credit.

Finally, there is in Cameroon an extensive and vibrant network of informal financial intermediaries (tontines and other mechanisms), which contribute much to remedying the adverse effects on small savers and borrowers both of the structurally thin capital market and of the interest rate controls.[26]

E. Agricultural Policy

Agriculture employs 73 percent of Cameroon's active population, and it accounts for 30 percent of GDP, two-thirds of foreign exchange earnings, and well over one-third of total tax revenue. As noted in Part I, agricultural production has almost kept pace with national economic growth since independence.

The modern private sector no longer plays the relatively important role it had before independence; it currently accounts for less than 4 percent of agricultural production, and employs only 33,000 people. The modern public sector is also not very important; it accounts for less than 5 percent of production and employs 27,000 people. Smallholder farming is thus the dominant source of agricultural output: the traditional peasant sector accounts for over 90 percent of production, employs 2.3 million people, and is based on family farms of an average of two hectares each.

Yields and productivity trends have been very disappointing in the 1970s relative to the 1960s: average yields have dropped by half for Arabica coffee, and have remained about the same for Robusta and for cocoa. The vigorous program of renewal of coffee and cocoa tree stocks augurs well, however, for an improvement in yields in the years to come. Productivity trends have been disappointing for subsistence food crops as well, with falling yields for peanuts, manioc, and other foodstuffs, owing to genetic deterioration and plant diseases. Also, yields of the crops assisted by the "development corporations" (e.g., wheat, palm, sugar--see below) have been much lower than those that had been established by the original feasibility studies. (Tables B-7 and B-8 detail these trends.)

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[26] Appendix G contains a description of the functioning and role of these informal credit institutions. See also Hazel McFerson's Ethnicity, Individual Initiative and Economic Development in Cameroon.

1. Export Crops

The major export crops are coffee (both Robusta and Arabica), cocoa, and cotton. Through the National Produce Marketing Board (ONCPB), the GURC is able to significantly influence the behavior and performance of export agriculture. At the beginning of each agricultural campaign, guaranteed producer prices for coffee, cocoa, cotton, peanuts, and palm kernels are set by Presidential decree, on the advice of the ONCPB. The prices have generally been set at a certain margin above production costs, but below world prices (often substantially so). The avowed objective is to maintain relatively stable producer prices and let the ONCPB absorb the swings in world prices. When world commodity prices were high, consequently, the ONCPB had substantial surpluses. In the last two years, this has changed.

Beginning in the late 1970s, producer prices for cocoa and coffee were increased substantially each year as world prices were quite high and domestic production had been falling (since producer prices had become less favorable in relation to food crop prices). However, world prices fell drastically at the end of the decade and ONCPB's reserve fund of CFAF 25 billion in June 1980 was almost depleted by December 1980, in part due to substantial trading losses on cocoa and coffee (particularly Robusta).

The margin between the price paid to the producer and that received on the international market has had several destinations, in addition to meeting the ONCPB's administrative expenses. First is the ONCPB's stabilization fund, and the required reserves set aside for each export crop. Also, investments have been made in warehouses and in other agricultural institutions, such as HEVECAM (rubber) or SEMRY (rice).

Part of the surpluses have been returned to the farmer indirectly, in the form of various subsidies and grants to agricultural credit institutions like FONADER, to regional agricultural development organizations such as SODECOTON, SODECAO, and MIDEVIV; to research organizations such as the General Delegation for Scientific and Technical Research (Delegation Generale a la Recherche Scientifique et Technique-DGRST); and to many of the cooperatives.

Large sums have also gone to infrastructure development, and to the National Budget in the form of a contribution. The large size of the ONCPB contribution to the National Budget (almost one-fourth in FY 1981) has led to the charge that the export crop farmers are financing the general development of the country rather than development of rural areas.

The ratio of producer price to f.o.b. export price (net of internal freight and marketing and processing charges), varies significantly among the four major crops. According to the World Bank estimate for Cameroon in 1976-1980, this ratio, which it calls the "nominal protection coefficient," was 36 percent for Robusta coffee, 45 percent for cocoa, 60 percent for Arabica coffee, and 79 percent for cotton.[27] We were unable to obtain reliable information on what additional criteria (other than production costs) underlie the pricing policy for export crops. The producer price ratio differentials undoubtedly also contribute to the Government's regional development goals. Whether deliberate or not, the much lighter effective taxation of cotton, the Northern crop, must figure importantly in the regional economic balance of Cameroon. (See also Section VI.)

There is growing GURC recognition that the best way to strengthen incentives to producers of export crops is to steadily raise producer prices to world price levels and reduce export taxes and net stabilization levies. This might help the GURC achieve the basic objective of its rural development strategy. Reducing the implicit levy on export agriculture may lessen disparities in income between the rural and urban areas, and assist in slowing rural exodus. The margin of manoeuver in the area of producer prices has, however, shrunk considerably owing to the fall in world commodity prices.

2. Food Crops

In theory, the GURC can also influence producer prices for food crops. In practice, however, prices generally are set by private supply and demand. The absence of enforced price ceilings has had the salutary effect that, unlike many other African countries, Cameroon has been virtually self-sufficient in meeting its food requirements. (A significant and growing food deficit is, however, projected over the next 15 years, unless domestic production grows at a faster rate.)[28]

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[27]World Bank, Accelerated Development In Sub-Saharan Africa, p. 56.

[28]Food crop production data in Cameroon, we found, is extremely unreliable, however. Different Government sources provide vastly different figures on production, which eventually find their way into contradictory reports by different external institutions. In many cases, the agricultural production estimates are arrived at by multiplying an *a priori* estimate of yields per acre by an estimate of the "area under cultivation," arrived at by "visual inspection" by a number of individuals of dubious and certainly widely divergent training.

The GURC's general lack of restrictions on foreign exchange also has avoided adverse effects on domestic food crop production. Unlike those in many other African countries, Cameroonian food producers do not have to compete with food imports implicitly subsidized by an overvalued exchange rate. Similarly, Cameroon export crop producers do not suffer from the added liability of the export tax that would be implicit in an overvalued currency.

On the other hand, public measures to favor food crop production have been scant as well. The USAID Mission in Yaounde has determined that in the decade 1971-1980, the Government has dedicated only between 11 percent and 13.5 percent of its total investment budget to the agricultural sector.[29] This proportion, while unimpressive and hardly in keeping with official GURC statements concerning the importance of agriculture, is in line with the practices of other developing countries. However, of that amount only about one-fourth has been spent on projects designed to benefit food crops and over two-thirds of even that small amount has gone to a single crop, rice, and another 16 percent to wheat. Other than rice and wheat, therefore, the total public expenditure on investment projects designed to benefit food crops (including the root crops, such as manioc, taro, etc., of great importance to the rural population) has been just over one-half of 1 percent of the total public investment budget.

On balance, therefore, food crop agriculture seems to have been relatively unaffected--either favorably or unfavorably--by public policy. There appears to be, however, a major shift in attitude by the GURC toward emphasizing foodstuffs production in future years. The Fifth Plan gives greater priority than in the past to this area and emphasizes the need to improve rural life to slow down urban immigration. (See Appendix C for an elaboration.)

3. The Major Institutions

The institutional structure in agriculture is complex and fragmented. The making of agricultural policy is split between the Ministry of Agriculture and MINEP--with the Presidency as the final arbiter. Agricultural research is conducted by yet

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[29] See the Cameroon Country Development Strategy Statement for FY 1983, pp. 4-5.

another organization--and the agricultural development corporations are basically autonomous entities. While the individual basic decisions--in agriculture as in all other areas of Cameroon's economy--are made on a centralized basis, the multiplicity of organizations with little coordination among them has rendered it difficult to implement those decisions and weld them into a coherent agricultural development policy.

Aside from the ministries and the Presidency, policy implementation is carried on by various types of organizations. Among the most important are integrated rural development projects, sectoral development corporations, agroindustries, and the cooperative movement. The integrated rural development projects have been designed to assure the best possible organization of efforts within a designated zone of intervention to improve production methods and develop socioeconomic infrastructure in their designated areas.

The sectoral development corporations, such as SODECOTON for cotton and SODECAO for cocoa, are institutions organized around the promotion of a particular crop. These societies generally provide farmers with a range of services, including access to credit, inputs, technical direction, and marketing. Recently, SODECOTON has been given the added responsibility to improve the productivity of staple food crops, especially sorghum. (For further information, see Section VI.)

The agroindustries are large organizations which grow one or more export or industrial crops on a plantation basis. They employ large numbers of wage earners. An example is the Cameroon Development Corporation (CDC), which produces five major crops (bananas, palm oil, rubber, tea, and pepper). Currently CDC employs nearly 20,000 permanent workers in addition to 3,000 short-term or seasonal workers.

Cooperatives potentially could have a strong impact on agricultural production because they are widespread throughout the country. At present, however, they deal mainly with export crops and only incidentally with food crops. Furthermore, many have been created by Government and are not yet truly run by and for the farmers. With the notable exception of the Central Union of Arabica Coffee Cooperatives of the West (Union des Cooperatives de Cafe Arabica de l'Ouest--UCCAO), agricultural cooperatives in Cameroon reportedly also suffer from severe organization, administrative, and managerial difficulties.[30]

[30] For a description of the origins and operations of UCCAO, see the Annex to McPerson's Ethnicity, Individual Initiative, and Economic Development in Cameroon.

V. THE IMPACT OF AID ON PRIVATE ECONOMIC ACTIVITY

Parts III and IV analyzed the principal public economic policies and evaluated their impact on the effectiveness and development of private activity in Cameroon. This section gives a brief overview of the role of foreign economic assistance. Table 2 below shows the overall levels of official development assistance from various sources, and its importance relative to the Cameroon's import needs.

Table 2. Net Official Development Assistance (ODA) to Cameroon, 1969-1972 and 1977-1980

Source	Yearly Average 1969-1972		Yearly Average 1977-1980	
	Millions of Current U.S.$	% of Imports	Millions of Current U.S.$	% of Imports
USA Bilateral	4.2	1.3	7.8	0.5
Other DAC Bilateral	28.4	8.5	140.9	10.9
Non-DAC Bilateral[1]	-	-	12.5	0.9
Total Multilateral	19.4	5.5	61.6	4.8
Grand Total	52.0	15.3	222.8	17.3

[1]Non-DAC bilateral official development assistance is from the OPEC fund.

Source: OECD, Geographic Distribution of Financial Flows to Developing Countries, 1977-1980, 1969-1975. USAID Congressional presentations, various years.

Certain conclusions are evident. Foreign assistance has financed a significant proportion of imports throughout Cameroon's history, and continues to be an important source of import capacity. However, in the last two or three years it has been first surpassed and then overshadowed by the country's oil revenues--conservatively estimated at approximately $1 billion in 1981-1982.

Part II underscored the relatively sound overall economic policy of Cameroon, and the favorable climate for individual economic initiative. In this particular case, therefore, it may be considered that external assistance complements domestic public policy and programs, and helps the development and effectiveness of private markets. Thus, the quantitative contribution of external assistance as a whole can be approximated by the proportion of total imports (or of total investment) it financed.

A. U.S. Aid

The role of U.S. aid to Cameroon has always been marginal in quantitative terms, and declined in relative importance to less than 4 percent of total ODA to Cameroon and only 0.5 percent of the country's imports in 1977-1980. Since then, however, it has rebounded somewhat to total development assistance levels of about $8 million in FY 1981, $15 million in FY 1982, $17 million in FY 1983, and another significant increase proposed for FY 1984. Even so, it is the quality of the program that makes AID a major donor, for its size is much smaller than that of assistance from the main contributors: France, the World Bank, the European Development Fund (EDF), and Germany.

The AID program in Cameroon centers around the provision of technical skills, particularly in agriculture and education. Although AID had previously contributed to the Transcam Railroad, contributions to large infrastructure projects currently are primarily through the Multilateral Development Banks (ADB, ADF, IBRD) to which the United States contributes. In 1970-1980, the AID program included a large variety of small projects. Some have been discontinued. The more successful ones are still ongoing, along with a number of medium-sized projects. These include numerous activities in the Northern region: livestock development, water resource development, centers for training farmers, fish production, planning in the agricultural sector, and training and rural health delivery in the health sector. The recent emphasis has been, however, on three large core projects: North Cameroon Seed Multiplication, Agricultural Higher Education, and Primary Education.

The Seed Multiplication Project ($13.5 million) is a follow-on to a first phase activity begun in 1976. In concert with an IBRD project and Government programs, the project is intended to help increase food production through establishing an institutionalized system for the production and distribution of improved peanut, sorghum, millet, and corn seed to small farmers in the north of the country. The Agriculture University project ($43 million) is located at Dschang in the Northwest, and co-financed with other donors and the GURC. The USAID mission is encouraging U.S. private sector involvement in this project as well as the seed multiplication project. Unlike many other African schools that are only concerned with teaching, this school will be modeled on the U.S. land grant system and will also include research and extension services. The Primary Education Project ($23 million) will assist Cameroon to reform and expand its primary school system. Project technicians will upgrade in-service and pre-service training programs for teachers, train school directors and administrators, and expand teacher training facilities. These efforts along with the ongoing medium-size projects in range management, provision of drinking water, cereals research and extension, and management and planning assistance to the Ministry of Agriculture make up the substance of the U.S. aid program. (The USAID projects list since the beginning of U.S. aid to Cameroon is shown in Appendix H.)

It would clearly be out of place to comment on the specific contribution of the various small projects to private sector development--and probably not sensible to try to do so. It is clear, however, that Cameroon offers significant potential for U.S. investment as well as indigenous private sector development. The seed multiplication project can do much to assist private smallholders to improve their economic lot, and the other two large AID projects promise to be instrumental in the improvement of Cameroon's basic education and training facilities--one of the areas of sharpest relevance for the long-term needs of private production and efficient resource allocation and management.

B. Multilateral Aid

Through mid-1981, Cameroon had borrowed from the World Bank a total of approximately $603 million, of which about one third was concessional lending from the International Development Association (IDA) arm of the World Bank group. (Until very recently, Cameroon's per capita income level placed it in the group of low-income developing countries eligible to borrow at concessional IDA terms.) As of June 30, 1981, Cameroon's indebtedness to the World Bank amounted to $321 million (including $15 million of loans approved but not yet effective), an eminently manageable amount in light of the country's expected foreign exchange earnings. Also, as of that same date, IDA lending to Cameroon accounted for only about 1 percent of the Association's total lending.

World Bank loans to Cameroon have been for a variety of purposes. The Bank has extended loans to rehabilitate the railways, extend palm oil, cocoa, rice and rubber plantings; build highways; improve livestock; facilitate education; and develop water supplies.

The International Finance Corporation (IFC), the private sector arm of the World Bank, has also invested in Cameroon. As of June 30, 1981 the IFC had $12.6 million invested in Cameroon, $9.8 million in loans and $2.8 million in equity. These investments were in companies processing nonferrous metal, food, shoes, and glass containers.

Cameroon has also borrowed about $51.2 million from the African Development Bank. Of this amount, about $23.4 million was disbursed as of December 31, 1980.

C. Other Donors

The bilateral aid programs of France, Germany, and Japan--and recently also of the EDF--have employed an "integrated" approach to economic assistance. Much of the EDF program revolves around integrated rural development, interestingly enough, though perhaps coincidentally, resembling the earlier U.S. approach. French aid goes largely to finance major infrastructural projects, which the French assist in eclectic fashion through a combination of technical studies, technical assistance, concessional loans, export credits, and commercial bank credits as well.

VI. SODECOTON: A CASE STUDY OF A PARASTATAL THAT WORKS

A. Background

The Corporation for the Development of Cotton in Cameroon (Societe de Developpement du Coton au Cameroun--SODECOTON) was established in 1974 as a parastatal development company to take over the functions previously carried out in northern Cameroon by the French parastatal cotton development company (Compagnie Francaises pour le Developpement des Fibres Textiles: CFDT). SODECOTON's capital now stands at CFAF 4,530 million (about $14 million), 70 percent subscribed by the Cameroon Government and 30 percent by CFDT. SODECOTON's turnover in 1978/1979 was to CFAF 8.3 billion (about $27 million), of which about 70 percent represented sales of raw cotton (110,000 bales) and 23 percent the value of its oilseed processing operations.

Links between SODECOTON and CFDT are strong. CFDT is a French parastatal created in 1949 to promote the cultivation of textile plants (mostly cotton) in countries that were then French colonies. As was mentioned earlier, CFDT has retained a 30 percent share of SODECOTON's equity (down from an original share of 45 percent in 1974). CFDT also acts as SODECOTON's marketing agent: indeed, CFDT markets 80 percent of all West

African cotton and brokerage fees are its principal source of income.[31] Finally, CFDT has a technical assistance contract with SODECOTON, whereby it provides the latter with personnel. In fact, SODECOTON is known to be one of the least "Cameroonized" of the large parastatals, with about 75 expatriates, accounting for more than one-third of total labor costs.[32]

SODECOTON is a vertically integrated organization covering the following main operations: production development, supply of inputs, credit operations, seed cotton marketing, ginning, grading, and seed processing. Export sales of lint and seed cake are handled through the selling organization of CFDT. Part of the cotton seed cake production is sold locally to aid the livestock industry. All vegetable oil is sold on the local market, where there is a considerable demand.

B. The Textile Industry: A Summary

Cotton is sold to the local textile industry, Cotoniere Industrielle du Cameroun (CICAM), on the basis of current world prices. The textile industry is examined in detail in Appendix I. The principal points of relevance are as follows. Like SODECOTON, the location of textile plants in part has followed regional development considerations--with one large plant located in Garoua and a second planned for Maroua. The industry has two segments: garment making, and fabrics. The garment-making segment is generally highly competitive, with little GURC involvement, and is currently experiencing serious economic difficulties. Overall, it does not appear that Cameroon possesses a comparative advantage in this area, although, of course, tailors and small firms do produce garments for the local market.

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[31] The international marketing of cotton, however, as well as that of cocoa, coffee, palm kernels, and groundnuts, was formally under the responsibility of the National Produce Marketing Board.

[32] The total labor force is 1,921. (See USAID/Cameroon, A Study of Cameroonian Agro-Industries, August 28, 1981, p. 33a.) Two explanations have been suggested: first, the desire to avoid the efficiency losses that, in other organizations, have resulted from hasty Cameroonization and nominations based on politics rather than competence; second, the will of Northern interests who control MINEP and SODECOTON to avoid any takeover by Southerners, which would be an almost inevitable consequence of Cameroonization, due to the lack of competent Northerners to fill the posts now occupied by expatriates.

The GURC has instead been heavily involved in the textile fabrics segment of the industry and, as noted earlier, influences investment and location decisions. There is currently a search for partners for the second textile complex, in Maroua. One implication is that there is no Government interest in preserving the monopoly of the CICAM plant. The difficulty in finding partners may carry a favorable implication of CICAM efficiency and/or reflect the technological barrier to entry inherent in the combination of a small market with a minimum efficient scale of production.

C. The Evolution to Intensive Cultivation

Until the early 1970s, CFDT had been reasonably successful in developing cotton as the principal cash crop in the central part of the Northern Province.[33] However, from its introduction in 1951, the crop was developed entirely on an extensive, low-input, basis. Fertilizers, for example, were not used at all. This was because in order for the operation to break even, there was little room for raising the price paid to farmers and hence no interest on their part in applying yield-raising inputs. Thus, the area planted under cotton steadily increased, to reach its peak of 108,000 hectares in 1969/1970. Yields generally remained very low throughout this period, averaging only about 500 kg/ha. The area planted began to decrease from 1970 onwards and, with the increasing impact on the drought years which resulted in farmers replacing cotton with staple food crops, cotton production fell in only four years from 91,000 tons in 1969 (its peak and an exceptionally good year) to only 27,800 tons in 1973. Just after, world prices for cotton fiber rose spectacularly in 1973-1974 and, although with considerable fluctuation, have generally remained at a somewhat higher level than during 1950-1970.

It was from this conjuncture of events that the Government and SODECOTON, in 1974, began the process of reestablishing cotton production in Cameroon. The strategy, based in part on applied research by the French Cotton Research Institute (Institut de Recherche sur le Coton et les Fibres Textiles--IRCT) in Cameroon, has been to make cotton profitable to farmers as an intensively grown cash crop on a reduced area. This strategy has meant the introduction of new technology to farmers (ultra-low-volume spraying against cotton pests, for example), changes in organization and extension approach (such

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[33] See Marcel Roupsard, "Les Etapes de la Culture Cotonniere au Nord Cameroun," Revue de Geographie du Cameroun, Vol. II, No. 2, 1981.

as grouping farmers' cotton fields in blocks), and improving the economic incentives (the producer price was increased from CFAF/kg 31 in 1972 to CFAF/kg 75 in 1980 and CFAF/kg 85 in 1981). This new approach began to show its first results in 1976, when the average cotton yield rose to almost 800 kg/ha. While the total farm area devoted to cotton continued to decline until 1978, overall average yields have increased each year until 1980 (1419 kg/ha; there was a slight drop to 1293 kg/ha in 1981) with a response by farmers to the intensification campaign more rapid than might have been considered possible five years before.

D. The CFDT-SODECOTON System

SODECOTON's operations involve approximately 140,000 planters, each cultivating on average less than half a hectare. The planters are disseminated in about a thousand villages, spread over an immense territory, with a deficient transportation system. According to one SODECOTON official, the system that is presently applied is "simply the only one possible."

The CFDT-SODECOTON system is similar in many ways to sharecropping, except of course that the smallholders who grow cotton are not tenants. The system was developed by CFDT in response to the failure of previous attempts by other organizations. Some of the earlier experiments involved large plantations, while others consisted of providing seed and buying crops from otherwise unsupervised smallholders.

The hallmark of the CFDT system is tight supervision of individual farmers. The word that is used for supervision is "encadrement," which is the term for officering in the military. This system was applied in all countries where CFDT operated, and it was adopted by SODECOTON when it took over in Cameroon. With the evolution from extensive to intensive cultivation, the system was gradually improved. It is currently being adapted to encompass the improvement of food crop cultivation.

At present, SODECOTON has an extensive force of about 800 Cameroonian "moniteurs," hierarchically organized in 29 sectors and four regions. Seed, fertilizers, chemicals (insecticides, herbicides), and farm equipment are distributed to farmers on credit. A proportion of the cost involved, calculated on a per hectare basis, is recovered when farmers sell their seed cotton. Marketing is organized by SODECOTON using a container transport system to transfer seed cotton to ginnery with a minimum of delay and loss.

The evolution from extensive to intensive cultivation is shown in Table 3.

Producer prices for seed cotton are fixed by Presidential decree each year after taking into account the recommendations of ONCPB and SODECOTON. Price increases from 1974/1975 to 1976/1977 followed the upward price trend on world markets, yet still resulted in operational surpluses totaling an estimated CFAF 3.9 billion. Subsequently, maintenance of an even higher level of a producer price coupled with a fall in the world market price has reduced such surpluses. According to reputable sources, the producer price for the 1979/1980 season (CFAF 70/kg graded seed cotton) provided adequate production incentives at current levels of input subsidy (see below), and at the same time was projected to show a surplus of some CFAF 8/kg on SODECOTON's operating accounts, i.e., taking into consideration marketing and ginning costs only and leaving development costs (extension, training, etc.) aside.

As part of its production package, SODECOTON provides cotton farmers with improved seed, fertilizers, herbicides, insecticides, and sprayers. In line with national policy for other export crops such as cocoa and coffee, improved seed, insecticides, and sprayers for cotton are provided free of charge to the farmers. For fertilizers and herbicides, SODECOTON recovers a fixed per-hectare amount known as a "prix forfaitaire" when the farmer sells his seed cotton to SODECOTON. The subsidy element is currently of the order of 17 percent for compound fertilizer, and 54 percent for urea and herbicide, giving an average subsidy of about 30 percent for these inputs. The "prix forfaitaire" and hence subsidy levels on inputs are determined by taking account of the cotton farmers' capacity to pay.

E. Impact of SODECOTON's Operations

All observers agree that cotton growing has raised farmers' cash incomes substantially, especially since the inception of the intensification program. There is, however, a dearth of hard data on the subject.[34] Another benefit to farmers, which

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[34]See USAID/Cameroon, Country Development Strategy Statement, FY82, January 1980, p. 3. The paper quotes a 10-year-old study, according to which cotton-growing added $4 to per capita incomes of families. On p. 15, it is said that the impact of parastatal organizations on farmers' standards of living "is being studied." The quantitative results of such studies, however, were not found by the team.

Table 3. Evolution From Extensive to Intensive Cultivation of Cotton

Category	1969-1970	1970-1971	1978-1979	1979-1980	1980-1981	1981-1982[1]
Area Sown (ha)	108,194	102,055	47,130	56,594	65,044	63,343
Area Ploughed (ha)	38,236	33,770	33,345	40,359	44,862	45,986
Percentage	37.5	37.0	71.0	71.0	68.8	72.6
Area Where Herbicide Applied (ha)	0	0	5,643	10,031	10,841	9,175
Percentage	0	0	12	17	16.62	14.5
Area Where Fertilizer Applied (ha)	31,076	21,550	35,128	48,288	56,820	57,250
Percentage	30.5	21.0	75.0	85.0	87.0	90.0
Area Treated With Insecticides (ha)	2,542	2,991	34,800	48,261	54,896	56,720
Percentage	2.5	3.0	74.0	85.0	84.16	89.6
Tons Produced, Seed Cotton	91,334	38,394	59,496	80,335	84,344	70,000
Yield (kg/ha)	844	376	1,262	1,420	1,293	1,100

[1]Preliminary

Source: Afrique Agriculture.

may even be more important, is that the system alleviates their financial risk, inevitably present under Sahelian climatic conditions, in purchasing inputs for raising agricultural productivity.

There have been complaints that the CFDT-SODECOTON system involved some degree of coercion in the beginning: villages were apparently assigned production quotas which were enforced by the Chef du Village or Chef de Canton (Lamido). At least one interviewee reported that complaints of being forced to grow cotton are still heard, although the same source observed that many farmers choose to grow more than their allotment. Also, we have heard reports of underweighing at the market: we were unable to verify whether such practices were widespread and, in any case, it appears unlikely that they would have SODECOTON's approval. It is the team's perception that, although there may be some problems, accusations of malpractice against SODECOTON are not well founded.

SODECOTON is praised from all quarters (MINEP and the World Bank, among others) for its high level of managerial competence. It would not be too far from the truth to say that in the North, SODECOTON works, while not much else does.[35] The results achieved by SODECOTON's intensification campaign can be contrasted with the impotence, at least in the Northern Province, of the extension services of the Ministry of Agriculture (MINAGRI).

SODECOTON's input distribution system does ensure timely delivery of inputs to farmers, whereas the agricultural credit organization (FONADER--see Appendix G) usually delivers late (when it does not run short of supplies). Again, wherever SODECOTON extends veterinary services, it outperforms MINAGRI. SODECOTON even bypasses the Ministry of Public Works (Ministere de L'Equipement: MINEQ) to build and maintain its own trail network. Similarly, when it makes social investments for its integrated development projects (see below), SODECOTON puts out the contract within six months, whereas it is said that MINEQ's bureaucracy takes three years.

An important aspect of SODECOTON's efficiency is its rate of credit recovery. While FONADER has problems getting repaid and, as a consequence, has little money to relend, SODECOTON had an average rate of reimbursement of 96 percent in 1980/1981. This may have to do with organizational efficiency, but it is obvious that SODECOTON, thanks to its monopoly on inputs and monopsony on seed cotton, is in a much better position to enforce its claim. Indeed, in areas where SODECOTON's cotton

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[35]But see also the favorable assessment of CICAM in Appendix I.

monopsony is not effective, such as near the Nigerian border, credit recovery is hampered. But SODECOTON must also enlist the help of local authorities to trace debtors who attempt to avoid paying by selling their cotton under false identities, through third parties, or in another village. Certainly, the credit recovery programs are one motive for wanting to make the village community responsible for the debts of its members (see below, "groupements villageois precooperatifs"). The obvious but important lesson to be drawn from the comparative experiences of SODECOTON and FONADER is that credit operations without an efficient collection system only result in depleted funds and the creation of perverse attitudes toward credit.

Perhaps the most important impact of 30 years of CFDT-SODECOTON activity is technical and economic education. In 1980/1981, following experiences in other countries, SODECOTON started setting up pre-cooperative villages groupings (Groupements Villageois Precooperatifs--GVP), which are to gradually take up SODECOTON's seed cotton purchasing operations.[36]

This new arrangement would probably not have been possible without the farmers' accumulated experience with SODECOTON. And the fact that the arrangement is advantageous to SODECOTON, particularly to facilitate credit recovery, does not reduce its educational value. Similarly, SODECOTON has created mechanization groups (groupements motorises), to which it provides equipment, supplies, and technical support to ensure that intermediate mechanization is adequately sustained by the necessary social and institutional structure. The educational impact of SODECOTON is also felt outside SODECOTON's operations. It is said that SODECOTON farmers are now fully aware of the profitability of fertilizer and that any extra supply (such as Nigerian imports) is sold very quickly. Farmers with SODECOTON experience reportedly have been very responsive to profitable opportunities; in the absence of such experience, many aid-assisted projects might require a much larger educational component.

F. Public Policy Toward SODECOTON

SODECOTON is not a commercial profit-oriented enterprise. Rather, it is an agent of Government development policy, and thus aims, among other things, at long-term national economic profitability. Its statutes provide for the apportionment of

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[36] SODECOTON, Directon du Developpement, Rapport sur la Creation et le fonctionnement des Groupements Villageois Precooperatifs, Campagne 1980-1981, Garoua, July 1981.

surpluses (60 percent on ONCPB; 10 percent to the cooperative savings and development movement of the Northern Province, and 30 percent to SODECOTON), while deficits are supported in their entirety by the ONCPB. Moreover, CFDT itself is not private profit-oriented either: as a French parastatal, it must reinvest all of its surpluses. However, as one observer put it, SODECOTON is not a "deficit-making organization," where cost-efficiency incentives have been removed. Its sales on the world cotton market do provide a yardstick to measure its performance. It is also possible that SODECOTON's managerial competence has to do with the French tradition of public enterprise efficiency as it is carried on by SODECOTON's expatriate personnel.

Of course, the private sector-like management practices of SODECOTON are made possible by the absence of Government intervention in its day-to-day operations. That is not to say that SODECOTON is completely free from political influence: indeed, its mandate as a development agency is defined by the Government. There are also cases of direct intervention. Thus, for example, instead of doubling the capacity of the Kaele oil mill, SODECOTON was instructed to build a new plant at Tchatibali, a less economic solution. It is interesting to note, however, that SODECOTON asked for, and was granted, a subsidy to cover the cost differential involved. In general, it seems that the Government accepts SODECOTON's point of view that subsidies and income transfer should be made explicit, rather than disguised as inefficient decision-making. (As we saw in Section IV, this is true of the operations of the National Investment Corporation (SNI) as well.)

It is also worth noting that it is unusual in Cameroon for the Government to allow an organization to bypass the monopoly of another state organization. SODECOTON, however, is carrying out many activities that fall under the responsibility of MINAGRI, or MINEQ, for instance.[37]

Another important aspect of public policy toward SODECOTON is price regulation. The price setting mechanism has been described above. As noted, the price system has been judged by reputable sources to offer an adequate incentive to grow cotton, as long as good yields are obtained. Other Government pricing interventions, however, are not so easily defensible. For instance, the wholesale price of table oil extracted from

[37]It has been suggested that efficiency considerations are not the only ones in this case. MINAGRI, for example, is said to be dominated by Bassa people (southerners), while SODECOTON is controlled by MINEP (ministere de l'Economie et du Plan), a northern stronghold.

cotton seeds is fixed at a level lower than production costs. This does not benefit consumers, as the traders who act as intermediaries sell the oil above the also regulated but unenforced retail price. It does, of course, benefit the privileged traders.

On the other hand, it was also the Government which, in response to rural development problems, decided to add to SODECOTON's role to support cotton, that of promoting integrated regional development. Under the Benoue Valley Development Authority (Mission d'Etudes d'Amenagement de la Vallee Superieure de la Benoue: MEAVSB), SODECOTON has participated in the North-East Benoue Project. Under MEAVSB coordination, SODECOTON has assumed the management of the South-East Benoue (SEB), and Centre-Nord (CN) Projects. SODECOTON leadership had the support of the French Caisse Centrale de Cooperation Economique (CCCE) in the SEB case, and of the World Bank in the CN case. It is worth noting that SODECOTON has taken great care to draw a clear financial and organizational distinction between its two roles.

It is still too early to evaluate SODECOTON's performance as an integrated development agency, especially in the CN Project, which was just launched in 1981. The team's impressionistic conclusions are as follows:

-- The cotton intensification campaign was quite successful, especially in the SEB region.

-- The intermediate mechanization experiments, concentrated mostly in the SEB region, although still involving a minute fraction of areas cultivated, seem promising.

-- Food crop and livestock improvement seem to be lagging, even in the SEB region, where climatic conditions are better and technical problems are supposed to have been solved.

-- The projects have little direct impact on SME development.

G. SODECOTON: An Evaluation

The SODECOTON experience demonstrates that it is both important and possible to maintain private sector-like managerial style and competence in a parastatal enterprise. But also, one must note that the CFDT-SODECOTON system has evolved over a 30-year period (indeed, it is still being perfected); results cannot be expected overnight. The system can be looked upon as a long-term strategy for fostering the growth of the private sector in an economically backward area. In northern Cameroon, for example, the private sector consisted of traditional peasants, and of traders who were--and still are--unwilling to commit their capital for agricultural improvements and for industrial enterprises. An outside organization with a long-range perspective was needed to bring the peasants into the modern cash economy. The CFDT-SODECOTON system of close supervision of smallholders has the advantage over the plantation system in that it provides economic opportunities to the peasants without destroying their entrepreneurship potential; on the contrary, it creates conditions favorable to its maturation. Also, it causes only minimum disruption of local community and cultural patterns, while carrying a substantial long-term economic and technical education impact.

It should be pointed out that modes of organization analogous to the CFDT-SODECOTON system are applied with comparable success to other crops in other regions of Cameroon: Arabica coffee in the West (UCCAO) and wrapper tobacco in the Eastern Province (Cameroon Tobacco Corporation SCT). Cash crops grown by unorganized smallholders seem to be running into difficulties, in particular a failure of farmers to renew their tree stocks (Robusta coffee, cocoa). Cameroon also has large industrial plantations, and although the team did not investigate the matter directly, it is reported that their impact on the economic well-being of the people is favorable (palm trees--Cameroon Development Corporation (CDC) and SOCAPALM; rubber trees--CDC and HEVECAM; sugar cane--SOSUCAM and CAMSUCO; filler tobacco--SACTA).

SODECOTON has obviously not solved all the rural development problems in its area. Food crop cultivation and livestock management techniques lag far behind cotton. Specialists claim that SODECOTON's approach is "agronomically narrow," resulting, among other consequences, in a long-term loss of soil fertility. (Much research is needed, but SODECOTON does not perform research itself.) In fact, the whole issue of economic and agronomic competition between cotton and food crops has not been confronted. (See Section IV.E for an elaboration of some aspects of this issue.)

VII. CONCLUSIONS AND LESSONS LEARNED

Sections I through VI and Appendixes G and I contain their own conclusions, explicit or otherwise. This section is not intended to gather all these conclusions in one place, but to draw together the more important findings and generalizable lessons of the Cameroon case.

A. The Interaction of Public Policy and Private Activity

There are, of course, any number of factors contributing to both the accomplishments and the blemishes of Cameroon's economic policy over the past 22 years. By and large, however, our overall evaluation of the varied influence of public policy on the development of private economic activity and of economic progress itself included the following major components.

On the side of performance, we noted a respectable aggregate growth rate, sustained for a long time, with relatively little variation between periods, and shared to an unusually uniform degree by all three major economic sectors. We also noted that the improvement in social indicators since independence was much smaller than clearly could have been possible, and a number of significant policy shortcomings were pointed out. However, we always came back to the principal accomplishment of Cameroon: whether or not Anglophone complaints are well founded; whether or not health, social services, and considerations of personal income distribution were neglected; whether or not the future will be stable--the fact remains that for almost a generation, the country has been at peace with itself and its neighbors. That this has been achieved at a cost--political, economic, and social--is beyond doubt. But that in other African countries and elsewhere in the developing world, tragedy on a grand human scale resulted from the interaction of ingredients quite similar to those present in Cameroon at the time of independence is equally beyond doubt.

With regard to the contributing factors, we found the following to have played an important role on the positive side. First is the consistent acceleration in the rate of investment--not in itself sufficient, but surely necessary for sustained economic growth. This was, in turn, facilitated by a cautious fiscal policy and a prudent exercise of what limited monetary policy autonomy was possible in light of the pegged currency. Second among the positive factors has been the Government's lack of intervention in areas where such intervention would have been very likely to do harm. The principal example is the healthy effect on food crop production of the Government's benign neglect of food prices. A third positive factor has been the favorable influence on the long-term growth of the private sector of public intervention in certain areas where deficiencies of the market mechanism or overriding national considerations call for it--given that such intervention was carried out in managerially sound ways. The two public activities that come to mind in this respect are the reasonably efficient workings of the SNI (with its healthy insistence on explicit and aboveboard subsidies to finance objectives other than short-term profitability), and SODECOTON.

On the negative side, we found the damage caused to private market efficiency and diversification by public intervention in areas where the market functioned reasonably well, and/or by intervention in questionable ways. First among these is the restrictive commercial policy associated with the inward-oriented import-substituting industrialization of the 1960s. Second is the set of delays, administrative bottlenecks, and unnecessarily large implicit subsidies provided through the Investment Code--and especially its case-by-case approach.

Relatively few developing countries are examples either of wholesale failures of public economic policy, or of unqualified policy success. Cameroon, while much closer to the "success" than to the "failure" side of the spectrum, contains elements of both, and its story encompasses a gamut of positive as well as negative lessons:

-- The perennial importance of a little luck, with the oil revenues becoming significant at precisely the time when the external economic environment was becoming unfavorable

-- The advantages of leaving certain economic sectors well enough alone

-- The harm that can be done by public policy intervention in certain areas or in inappropriate ways

-- The positive contribution that can be made by intelligent public intervention in selected appropriate areas (i.e., where the market mechanism lacks openness, competitiveness, or a suitably long time perspective) and in appropriate ways.

More generally, two important themes echoed throughout our evaluation. The first is the vitality and economic importance of "informal" economic activity as an alternative to the formal channels when these are restricted, whether by structural conditions or by deliberate policy. The two major Cameroonian examples are the "uncontrolled trade," especially on the Nigerian border--which enforces some market discipline on domestic producers and reduces the negative impact of import restrictions--and the role of informal financial institutions (tontines) in allowing poorer Cameroonians to sidestep the restrictions imposed on the formal credit market. The second important theme is how public policy measures almost invariably benefit some private interests at the expense of other private interests. A meaningful assessment of the impact of public policy on the development of the private sector as a whole thus requires a delicate balancing of the several private interests affected by policy in different ways.

B. External Assistance and Institutional Development

Although overshadowed by oil revenues in recent years, external economic assistance continues to finance a significant portion of Cameroon's import needs. As a broad generalization, aid to Cameroon has on balance helped the development and effectiveness of private markets. Within this generalization, however, we noted the indirect support given by aid from certain sources to the build-up of inefficient policy-induced manufacturing activities, and conversely, the stimulus provided by some GURC policy measures to external capital flows in other than economically optimal forms (see Section IV.C).

U.S. aid is currently concentrated on projects of probable direct relevance both to Cameroon's major developmental constraints and to the further evolution of private activity.

While on balance, as repeatedly noted, the GURC economic policy has been effective, all external economic assistance, including that from the United States, could probably have a sharper impact if it were more deliberately designed to support those facets of the Cameroonian policy package--at the macro-economic and at the sectoral levels, as appropriate--which are conducive to the efficiency of allocation and to the growth of Cameroonian resources.[38] While GURC is among the most independent-minded governments in the developing world--and its assertiveness has naturally been bolstered by the mounting oil revenues--it is also open-minded and willing to listen to a persuasive case made in support of policy reform in certain areas, provided, of course, that the case rests on a foundation of understanding and sympathy for the country's objectives and circumstances, and not only on a priori economic reasoning. The USAID program is an excellent vehicle for presenting such an economic policy case.

Two more specific points are worth noting. In certain circumstances and in selected countries, AID should be prepared to consider taking direct capital participation in regional or product-oriented development organizations (e.g., similar to SODECOTON in Cameroon), and provide management and operating personnel to such an organization. As an alternative to equity participation--or in conjunction with it--AID could finance a contract with a U.S. firm for management of the organization for a specified period of time, providing specifically for the training of local staff. This would be desirable in order both

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[38]See, on this and related points, the AID Policy Paper Approaches to the Policy Dialogue, December 1982.

to concretely support those specific forms of public intervention which raise overall efficiency and stimulate private market development over the long term and to assure an entry for discussions with the host government leading to the most effective sectoral policies and management practices of the organization itself.

Second, small and medium enterprises (SMEs) appear to need technical assistance at least as much as they need additional credit. Such technical assistance, especially managerial and administrative, would probably be more readily acceptable and more valuable if it came from the private sector. AID should consider means to encourage U.S. SMEs (keeping in mind the substantial size difference between an American small firm and one in a developing country) to become involved with small enterprise in developing countries in some meaningful fashion that would encompass the transfer of managerial and administrative expertise.

On the topic of SMEs, GURC attempts at promoting them have been generally unsuccessful, and questionably managed. Indeed, the overall net effect of the incentive system, state equity participation, import policies, and financial policies has unquestionably been the favoring of larger scale, largely foreign private enterprise partly at the expense of Cameroonian private SMEs. Thus, it may be far more important for the development of Cameroonian private enterprise, and of the smaller companies in particular, to eliminate the bias in favor of large enterprises than to tinker with the mechanisms for promoting SMEs themselves.

Managerial and administrative deficiencies in public institutions have by no means been confined to entities dealing with SME concerns, such as CAPME and FOGAPE. The BCD and FONADER have also been identified as suffering from serious internal problems. The GURC is aware of these problems, however, and it appears that steps are gradually being taken to correct them.

C. Assisting Cameroon in the Transition to Middle-Income Status

An argument can always be made that any developing country is in the midst of one kind of transition or another. Such an argument has, however, considerable force when applied to Cameroon in the 1980s. The teetering between liberalizing imports and a tightening of restrictions; the direction of the revision of the investment code; the need to raise productivity in agricultural food production; the need to begin to pay systematic attention to the mounting problems of urban underemployment (partly related to accelerating population growth) and to interpersonal income distribution--for the sake of preserving the very social and political stability which is Cameroon's primary accomplishment; the desirability, as the economy becomes more and more complex, to move toward institutionalized and more decentralized procedures for economic decision-making--and to do so in ways that preserve the relative honesty of Government administration to date--how the GURC manages these and other central issues, to a large extent, will determine how successful a transition can be made or even whether it can be achieved.

To accomplish this transition, Cameroon has two rare and important assets. The concrete asset is the availability of large and increasing oil revenues, which can be a major source of financing a shift from import-substituting to export-promoting industrialization based on diversification; a transition from relying on staple crops with unfavorable long-term prospects on the world market to more promising lines of agricultural endeavor, while supporting the standard of living of those directly affected; and generally the structural transformation into a semideveloped economy. The intangible asset is the Cameroonian ethos of a cautious approach to economic change, and the ability to avoid making large mistakes.

Indeed, the principal "lesson learned" through this study is that gradual, slow, and consistent economic progress is possible. This might appear to be a platitude, were it not for the fact that, until recently, much of the conventional wisdom saw economic development as a discontinuous process and consequently ruled out the possibility of gradual and slow change.[39]

The successful experience of Cameroon is in stark contradiction with this position. It would be very unwise on this basis, of course, to swing to the equally dangerous generalization that fairly large structural change compressed in a short period of time is impossible or necessarily harmful to sustained economic growth. But we do wish to stress one last time that much can be accomplished by relatively small economic improvements on a sustained basis over a long period of time--the "tortoise walk" of our title.

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[39]Thus, for example, Schiavo-Campo and Singer stated in 1970 that: ". . . gradualism is not a realistic perspective. Nature may not proceed by jumps, but economic development certainly must do so." (Perspectives of Economic Development, p.45.)

APPENDIX A

METHODOLOGY AND LIST OF PERSONS INTERVIEWED

I. SOME METHODOLOGICAL OBSERVATIONS

This study was conducted within an especially narrow time frame, from initial conceptual elaboration through selection of the team, fieldwork, and to completion of the final draft. The amount of time available in the field was quite sufficient. More could have been accomplished, however, and in less time, if adequate preparatory work had been possible. We became convinced that--for similar studies and when sufficient lead time is available--it is desirable to complete all work that does not absolutely require in-country presence before beginning with the fieldwork. Indeed, one might even say that a team should have a draft report written by the time it arrives in the country. The researchers can then concentrate efforts and thought on the "blank" pages or unresolved issues in the draft report, and glean far more from a smaller number of interviews because of their already considerable familiarity with the crucial subjects. This, of course, is impossible for some evaluation exercises, and clumsy for still other kinds of studies. But, for a policy-oriented study that relies to a considerable extent on published sources and data and that requires a sharp focus on the major policy issues and options, extensive preparation is both possible and desirable if the fieldwork is to yield the clearest possible insights into the key variables.

We dealt with the limits posed by insufficient preparatory time by an especially thorough job of interviewing knowledgeable people, and by a deliberate and systematic attempt at obtaining the views of as varied a group of individuals as possible. Even our long list of about 100 persons interviewed does not include the additional people from all walks of life whom we also buttonholed at every possible occasion to test, and re-test, the correctness of our understanding of the major facets of the interaction of public and private actions in the economy of Cameroon.

Two other methodological considerations merit mention. First, it is important that the team leader select the other team members, as was the case for this study. "Arranged marriages" may work very badly in this area. Direct involvement by the team leader in the selection of his or her colleagues helps to place responsibility for failures or mishaps where it should belong--that is, on the team leader--also, of course, it makes for an easier and more constructive division of labor during the course of the team's work. Second, the combination of individuals who worked together very well in this particular case may consist of ingredients that would probably work well in other evaluation exercises as well.

The team leader was selected from AID/Washington (Schiavo-Campo). He was involved in the conceptual evolution of the whole project from early on, and had a good idea of the origin, purposes, and audiences of the study. A senior team member (Roush), had extensive knowledge of AID programs and thorough familiarity with the realities of developing countries. Working very closely with him was a specialist (Lemelin), who was solidly trained in the main topic or subject of the evaluation study. Finally, a younger team member (McLindon), had the intellectual capacity to make substantive contributions to the work of the other members, and also the administrative skills needed to act as coordinator of the team's activities while in the field. Thus, the team leader was able to focus attention on the direction and substance of his colleagues' work, and on the progress of the study itself.

As mentioned, we interviewed as varied an assortment and as large a number of experienced individuals as possible. This included representatives of all major donor countries and multilateral organizations: GURC and U.S. Government officials; parastatals' staff; private sector representatives in industry, services, and agriculture; journalists; and academicians. Naturally, not all members of the team attended every interview. The list of those interviewed follows, with our apology for possible unintended mistakes in the spelling of names.

II. LIST OF PERSONS INTERVIEWED[1] (in alphabetical order)

In Yaounde:

Government of Cameroon and Parastatals:

Antoine Edo, Deputy Director, Direction de l'Industrie, MINEP

Theodore Eyeffa, Director, FOGAPE

Salomon Nfor Gwei, Vice-Minister, Ministry of Agriculture

Abondu Metogo, Director, BCD

Emmanuel N. Mofor, CENEEMA, Nkolbisson, B.P. 1040

[1] See Glossary for meaning of acronyms.

Francois-Marie Mvomo, Director General, FONADER

M. Ngassa, Director, Etudes et Projects, SNI

M. Ongono, Chief, Division des Etudes et Syntheses, Direction de la Planification, MINEP

United States Government (excluding USAID)

Gemuh Akuchu, Sociologist, USICA

Allen Bell, Deputy Director, Peace Corps

Emmet George, Cultural Affairs Officer, USICA

Willie Holmes, Acting Public Affairs Officer, USICA

Hume A. Horan, U.S. Ambassador to Cameroon

Dwayne Sams, Economic Counsellor, U.S. Embassy

USAID

Stanley Handleman, Human Resources Development Officer

Ronald Levin, Director

William Litwiller, Agriculture and Rural Development Officer

Sarah Lynch, Agricultural Economist

Herbert Miller, Program Officer

Raymond Riffenburg, Project Development and Evaluation Officer

John Scamper, Agricultural Economist

Janet Schulman, Assistant Program Economist

Martin Schulman, Project Manager, Education

Randal Thompson, Evaluation Officer

Cam Wickham, Program Economist

Bernard Wilder, Assistant Director

Other Donors and International Agencies

Abdenour Benbouali, Principal Industrial Counsellor, UNIDO

Yann le Bihan, Delegate to Cameroon, Association pour la Formation des Cadres de l'Industries et de l'Administration (AFCA)

M. Blanc-Soler, Resident Representative, UN Development Program

William Cooper, Resident Representative, World Bank

M. Daignault, CCCE (Caisse Centrale de Cooperation Economique)

Paul A. Desrosiers, Conseiller (Developpement) Ambassade du Canada

Ms. Fabre, Chargee de Mission Geographique pour le Cameroun, Ministere de la Cooperation

Guido Herz, Second Secretary, Embassy of the Federal Republic of Germany

Tene Koyzoa, BEAC (Banque des Etats de l'Afrique Centrale)

M. Noizet, Deputy Resident Representative, FAC (Fonds d'Aide et de Cooperation)

Helmut Schoeps, First Secretary, Embassy of the Federal Republic of Germany

Derek White, World Bank

Others

Lucien Kingue Ebongue, Director, Societe Camerounaise des Tabacs (SCT)

A.F. Kodock, Cocoa Planter, former Vice President of African Development Bank and former GURC official

Dr. Georges Ngango, Chef du Department des Sciences Economique, Unviersity of Yaounde

Charles Noizeau, Vice President, Energy and Mining Group, Chemical Bank

Dr. Joseph Ntangsi, Professor, Faculte de Droit et Science Economique, University of Yaounde

In Douala:

Government of Cameroon and Parastatals:

A. Bayiwa Pondi, Chef, Division de la Promotion, Chambre de Commerce, d'Industrie, es des Mines.

Bruno Bekolo-Ebe, Secretary General, University Center of Douala

Alain Michel Coustou, Director General, University Center of Douala (Centre Universitaire de Douala) and Director of the Ecole Superieure des Sciences Economiques and Commercials

M. Enama-Quan, Chief of the Research and Documentation Service, University Center of Douala.

Eugene Letenou, Editor, CAPME Informations

M. Moussago, Deputy Director General, ONCPB

Richard Nque, National Director, CAPME

Gabriel Nkondo, Chef d'Agence de Douala, CAPME

Others

Estelle Barouh, SIVA (garment-making firm)

Terry Brown, Booker T. Washington Foundation

Tom Gilroy, Reuter News Agency

Mathieu Gracia, Director for Central Africa, Pan-African Institute for Development

Samuel Kondo, SOCARTO (SME industrial firm)

M. Manuel, Commercial Director, CICAM

Lois Matteson, U.S. Consul General

Jean-Claude Ngoh, President and Director General, Franco-African Insurance Council, (Assureur Conseil Franco Africain-ACFRA)

Njoh Nitumbe, Akintola-Williams Accounting and Management Firm

Edouard Nomo-Ongolo, General Director, Chase Bank Cameroon

Mireille de Pierrebourg, Deleguee Generale, SYNDUSTRICAM

William T. Pledger II, General Director, Boston Bank Cameroon

Mme Sack, SIVA

Marc Vieuxloup, Director of Douala branch of Administrative Training Association (Association pour la Formation des Cadres--AFCA)

In Garoua:

Government of Cameroon and Parastatals

M. Beroud, Chief of Center--North Project, SODECOTON

M. Joseph Engoue, Chief of the Garoua Office of CAPME

M. Gruson, Chief of Development, SODECOTON

M. Abamadam Liman, Chief of the Economic Division of the North, MINEP

M. Wignolle, Livestock Section, East Benoue Project, SODECOTON

Others

Cheikh Abdoulaye Yaya, Chamber of Commerce, Industry, and Mines (CCIM)

Daryl Barker, FAO

M. Lionel Bonnett, CCIM--French Cooperant

Charles D. Gilbertson, U.S. Peace Corps Volunteer

John Horton, USAID

Edward Perry, USAID

M. Pierre Rocaglia, Owner--Manager of Rocca Chaux (Lime Factory) in Figuil

Michael Wright, Manager, Agrilargo Experimental Farm (Tate and Lyle)

In Maroua:

Cal Burgett, Agronomist, Experience, Inc., USAID Contractor, Mindif

Joseph Elang, Chief, Seed Multiplication Project, Ministry of Agriculture

Kate Farnsworth, U.S. Peace Corps Volunteer

Owen Gwafmey, SAFGRAD Agronomist (USAID contract)

Nicolas R. Kulibaba, Sociologist, Experience, Inc., Mindif

Basil Longy, FAO, Cereals Office of the Ministry of Agriculture

Jean Nkollo, Professor, Maroua Lycee

Yasmine Sa'adat, Tufts University Coordinator of Farm Management Surveys

Lynn Sallinger, Tufts University Coordinator of Farm Management Surveys

William Slocum, USAID Liaison Office

In Bafoussam:

Paul Djeumo, Sales Division, UCCAO

Jean Denis Gbetnkon, Associate Director General, UCCAO

Mazellan Nguewo, Electronics Expert

Mamadon Nsangou, Chief Supply and Transport Division, UCCAO

Germaine Tamwo, Chief, Sales Division, UCCAO

In Washington:

Dalton <u>Griffith</u>, Special Assistant for Transportation, Office of the Assistant Administrator for Africa

Harvey <u>Gutman</u>, former AID staff member, Consultant

Stephen <u>Wagenseil</u>, Cameroon Desk Officer, U.S. Department of State

APPENDIX B

THE ECONOMIC DEVELOPMENT OF CAMEROON SINCE INDEPENDENCE: A STATISTICAL SUMMARY

Table B-1. GDP by Industrial Origin at 1974/1975-1976/1977 Market Prices
(in billions of CFA francs)

Sectors	1965	1966	1967	1968	1969	1970	1971
Agriculture, Fishery, etc.[1] [4]	145.2	151.0	160.2	168.6	177.8	186.5	190.1
Mining[2]	0.6	0.6	0.6	0.7	0.7	1.6	3.4
Manufacturing[1]	33.4	35.1	35.9	40.8	46.3	47.7	54.2
Electricity, Gas & Water[1]	6.1	5.8	5.6	5.9	6.1	6.5	6.8
Construction[3]	20.1	22.2	22.4	26.2	25.8	19.7	19.0
Trade[1] [5]	84.2	88.6	87.9	88.8	92.4	94.4	97.9
Transport & Communications[1]	33.5	35.0	36.7	39.5	41.9	42.8	44.6
Public Administration[6]	26.4	26.8	27.7	29.5	31.3	34.6	36.3
Other Services[2]	44.9	48.6	50.6	55.9	56.0	56.3	54.7
Import Duties[2]	18.7	18.6	16.8	17.3	18.3	21.6	24.1
Gross Domestic Product	413.1	432.3	444.4	473.2	496.6	511.7	531.1

Sectors	1972	1973	1974	1975	1976	1977	1978
Agriculture, Fishery, etc.[1] [4]	201.1	209.0	219.1	221.8	224.7	227.7	247.0
Mining[2]	1.2	1.7	2.3	2.5	2.0	2.9	3.4
Manufacturing[1]	54.9	55.0	56.0	60.0	67.4	70.4	74.0
Electricity, Gas & Water[1]	6.7	6.7	6.8	6.8	7.0	8.3	7.8
Construction[3]	20.1	22.5	25.0	23.5	28.6	38.9	38.7
Trade[1] [5]	95.9	93.8	99.0	103.3	106.0	113.2	123.4
Transport & Communications[1]	46.3	48.1	50.5	51.3	53.8	56.8	60.5
Public Administration[6]	38.0	40.6	43.6	44.5	48.4	52.0	56.1
Other Services[2]	57.5	75.2	110.1	89.4	87.3	101.7	113.0
Import Duties[2]	23.1	22.0	26.0	24.4	33.4	39.4	47.9
Gross Domestic Product	544.8	574.6	638.4	627.5	658.6	711.3	772.0

1 Using production indices.
2 Using price indices.
3 Using an index of construction material prices and construction wages.
4 Including livestock and forestry.
5 Including restaurants and hotels.
6 Including defense.

Source: World Bank Staff estimates.

Table B-2. Percentage Distribution of GDP by Industrial Origin at 1974/1975-1976/1977 Market Prices

Sectors	1965	1966	1967	1968	1969	1970	1971
Agriculture, Fishery, etc.[1 4]	35.15	34.93	36.05	35.63	35.80	36.45	35.79
Mining[2]	0.15	0.14	0.14	0.15	0.14	0.31	0.64
Manufacturing[1]	8.09	8.12	8.08	8.62	9.32	9.32	10.21
Electricity, Gas & Water[1]	1.48	1.34	1.26	1.25	1.23	1.27	1.28
Construction[3]	4.87	5.14	5.04	5.54	5.20	3.85	3.58
Trade[1 5]	20.38	20.50	19.78	18.77	18.61	18.45	18.43
Transport & Communications[1]	8.11	8.10	8.26	8.35	8.44	8.36	8.40
Public Administration[6]	6.39	6.20	6.23	6.23	6.30	6.76	6.83
Other Services[2]	10.87	11.24	11.39	11.81	11.28	11.00	10.30
Import Duties[2]	4.53	4.30	3.78	3.66	3.69	4.22	4.54
Gross Domestic Product[7]	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Sectors	1972	1973	1974	1975	1976	1977	1978
Agriculture, Fishery, etc.[1 4]	36.91	36.37	34.32	35.35	34.12	32.01	31.99
Mining[2]	0.22	0.30	0.36	0.40	0.30	0.41	0.44
Manufacturing[1]	10.08	9.57	8.77	9.56	10.23	9.90	9.59
Electricity, Gas & Water[1]	1.23	1.17	1.07	1.08	1.06	1.17	1.01
Construction[3]	3.69	3.92	3.92	3.75	4.34	5.47	5.01
Trade[1 5]	17.60	16.32	15.51	16.46	16.09	15.91	15.98
Transport & Communications[1]	8.50	8.37	7.91	8.18	8.17	7.99	7.84
Public Administration[6]	6.98	7.07	6.83	7.09	7.35	7.31	7.27
Other Services[2]	10.55	13.09	17.25	14.25	13.26	14.30	14.64
Import Duties[2]	4.24	3.83	4.07	3.89	5.07	5.54	6.20
Gross Domestic Product[7]	100.00	100.00	100.00	100.00	100.00	100.00	100.00

[1] Using production indices.
[2] Using price indices.
[3] Using an index of construction material prices and construction wages.
[4] Including livestock and forestry.
[5] Including restaurants and hotels.
[6] Including defense.
[7] Totals may not add due to rounding.

Source: World Bank Staff estimates.

Table B-3. Expenditures on GDP at 1974/1975-1976/1977 Market Prices
(in billions of CFA francs)

Item	1965	1966	1967	1968	1969	1970	1971
GDP[1]	413.1	432.3	444.4	473.2	496.6	511.7	531.1
Imports of Goods[2]	99.1	100.0	86.4	100.7	98.4	110.5	139.2
Imports of Nonfactor Services[3]	25.2	26.5	31.0	35.4	37.1	38.5	41.7
Total Resources	537.4	558.8	561.8	609.3	632.1	660.7	712.0
Private Consumption[4]	312.9	318.5	329.4	380.4	374.7	371.7	407.3
Public Consumption[5]	42.7	45.7	45.3	7.6	54.3	52.2	51.0
Gross Fixed Capital Formation[6]	63.8	77.0	69.3	60.9	56.1	77.8	97.2
Changes in Stocks[7]	0.0	0.0	0.0	0.0	10.6	10.4	10.6
Exports of Goods[8]	101.2	100.8	97.2	99.5	109.2	119.2	119.0
Exports of Nonfactor Services[9]	16.8	15.8	20.6	23.4	27.2	29.4	27.0
Expenditures on GDP & Imports	537.4	558.8	561.8	609.3	632.1	660.7	712.0
Net Factor Income From Abroad[10]	-14.1	-14.6	-13.2	-12.2	-8.2	-6.4	-9.3
Expenditures on GNP	399.0	417.7	431.2	461.0	488.4	505.3	521.8

Item	1972	1973	1974	1975	1976	1977	1978
GDP[1]	544.8	574.6	638.4	627.5	658.6	711.3	772.0
Imports of Goods[2]	144.5	129.4	130.2	141.3	142.6	165.7	197.4
Imports of Nonfactor Services[3]	34.8	33.5	33.2	28.8	32.6	35.0	37.0
Total Resources	724.1	737.5	801.8	797.6	833.8	912.0	1006.4
Private Consumption[4]	397.5	393.1	436.5	431.2	480.9	526.6	565.9
Public Consumption[5]	58.5	63.8	73.4	69.7	77.1	75.4	77.2
Gross Fixed Capital Formation[6]	101.1	107.2	95.0	111.6	105.8	136.8	172.7
Changes in Stocks[7]	14.4	16.1	18.1	24.5	3.3	15.3	16.8
Exports of Goods[8]	123.2	126.6	147.2	132.8	153.5	128.4	143.1
Exports of Nonfactor Services[9]	29.4	30.7	31.6	27.8	32.4	29.5	30.7
Expenditures on GDP & Imports	724.1	737.5	801.8	797.6	833.8	912.0	1006.4
Net Factor Income From Abroad[10]	-15.8	-15.4	-21.7	-17.7	-17.8	-14.9	-15.7
Expenditures on GNP	529.0	559.2	616.7	609.8	640.8	6[illegible].4	755.3

1. From Table B-1.
2. [illegible] in 1974/1975-1976/1977 prices.
3. [illegible] World Bank index of international inflation.
4. [illegible] after all other expenditures on total resources.
5. [illegible] wages in 1974/1975-1976/1977 prices are from Table 2-2; net government purchases of [illegible] services are deflated by the average of the Yaounde and Douala consumer price indices.
6. [illegible] other construction deflated by an index of construction material prices and construction [illegible] transport equipment, machinery and other equipment are deflated by the import price [illegible] the corresponding categories of goods.
7. [illegible] an index of export and domestic prices.
8. Exports [illegible] in 1974/1975-1976/1977 prices.
9. Deflated by a weighted average of Yaounde and Douala consumer price indices.
10. Deflated by the import price index.

Source: World Bank Staff estimates.

Table B-4. Exports by [illegible] Product

Millions of CFA Francs

Product	1970	1971	1972	1973	1974	1975	1976	1977	1978
Agricultural Products	46993.0	43991.0	40309.0	47864.0	81227.0	74366.0	79181.0	114652.0	137710.0
Semiprocessed Goods	13541.0	10729.0	9540.0	10699.0	14045.0	18625.0	16554.0	23543.0	33862.0
Manufactured Goods	2807.0	3434.0	3673.0	4257.0	5789.0	5032.0	7672.0	9469.0	7355.0
Consumption Goods	2085.0	2520.0	2427.0	2805.0	3359.0	3239.0	5509.0	6586.0	4628.0
Intermediate Goods	372.0	542.0	917.0	1001.0	1894.0	1252.0	1638.0	2094.0	1911.0
Capital Goods	360.0	372.0	329.0	451.0	536.0	541.0	546.0	787.0	816.0
Petroleum Products	2.0	9.0	85.0	82.0	192.0	240.0	400.0	475.0	733.0
Other Products	3057.0	1989.0	3527.0	3569.0	6589.0	8637.0	9028.0	13103.0	11350.0
Total Value of Exports[1]	66400.0	60152.0	57134.0	66471.0	107841.0	106900.0	112252.0	161242.0	191010.0

Percentages

Product	1970	1971	1972	1973	1974	1975	1976	1977	1978
Agricultural Products	70.8	73.1	70.6	72.0	753.2	69.6	70.5	71.1	72.1
Cocoa	27.9	23.6	21.6	17.7	230.4	27.9	18.7	17.6	25.3
Coffee	22.3	24.6	23.4	29.3	250.7	19.3	30.3	32.2	28.1
Robusta	14.0	15.8	13.3	17.0	166.0	11.7	21.5	19.5	20.4
Arabica	8.2	8.8	10.1	11.4	84.7	7.5	8.7	12.7	7.6
Semiprocessed Goods	20.4	17.8	16.7	16.1	130.2	17.4	14.7	14.6	17.7
Manufactured Goods	4.2	5.7	6.4	6.4	53.7	4.7	6.8	5.9	3.9
Consumption Goods	3.1	4.2	4.2	4.2	31.1	3.0	4.9	4.1	2.4
Intermediate Goods	0.6	0.9	1.6	1.5	17.6	1.2	1.5	1.3	1.0
Capital Goods	0.5	0.6	0.6	0.7	5.0	0.5	0.5	0.5	0.4
Petroleum Products	0.0	0.0	0.1	0.1	1.8	0.2	0.4	0.3	0.4
Other Products	4.6	3.3	6.2	5.4	61.1	8.1	8.0	8.1	5.9
Total Value of Exports[1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1] Totals may not add due to rounding.

Source: Direction de la Statistique et de la Comptabilite Nationale.

Table B-5. Imports by Type of Product
(in millions of CFA francs)

Millions of CFA Francs

Imports	1972	1973	1974	1975	1976	1977	1978
Consumption Goods	17239.0	16772.0	18506.0	24800.0	23661.0	29751.0	35824.0
Petroleum Products	3753.0	3839.0	5344.0	11756.0	9138.0	16872.0	22370.0
Raw Materials	2999.0	3668.0	4042.0	6710.0	6913.0	9135.0	8362.0
Intermediate Goods	29672.0	28501.0	31936.0	50500.0	50795.0	64273.0	81881.0
Capital Goods	18383.0	24714.0	19829.0	32206.0	36052.0	54044.0	67999.0
Total Value of Imports	72046.0	77494.0	79657.0	125972.0	126559.0	174075.0	216436.0

Percentages

Imports	1972	1973	1974	1975	1976	1977	1978
Consumption Goods	23.9	21.6	23.2	19.7	18.7	17.1	16.6
Petroleum Products	5.2	5.0	6.7	9.3	7.2	9.7	10.3
Raw Materials	4.2	4.7	5.1	5.3	5.5	5.2	3.9
Intermediate Goods	41.2	36.8	40.1	40.1	40.1	36.9	37.8
Capital Goods	25.5	31.9	24.9	25.6	28.5	31.0	31.4
Total Value of Imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministere de l'Economie et du Plan, Direction de la Statistique et de la Comptabilite Nationale.

Table B-6. Budgetary Expenditure Percentages

Economic Classification

Item	1971	1972	1973	1974	1975	1976	1977	1978
	Percentages							
Wages and Salaries	47.0	45.5	46.8	48.8	46.7	48.0	44.0	48.8
Materials and Supplies	33.4	32.5	25.2	25.1	20.7	19.1	20.0	9.7
Interest Charges on Public Debt	1.2	0.7	3.0	2.5	1.5	1.7	2.1	2.6
Subsidies & Other Current Transfers	8.6	8.8	8.9	8.8	21.1	14.7	16.3	19.2
Current Expenditure (total)	90.2	88.2	84.0	85.2	90.1	83.6	82.5	80.3
Capital Expenditure	9.8	11.8	16.0	14.8	10.6	15.7	18.6	19.9
Adjustment Items	0.0	0.0	0.0	0.0	-0.6	0.8	-1.1	-0.2
Total Expenditure[1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Functional Classification

Item	1971	1972	1973	1974	1975	1976	1977	1978
	Percentages							
General Public Services	23.2	22.5	19.4	18.8	23.5	22.6	23.5	18.1
Defense	11.4	10.5	10.3	10.4	11.6	11.6	9.7	9.9
Education	17.5	19.9	20.5	22.2	17.2	17.7	18.5	17.0
Health	6.3	6.1	5.9	5.7	4.0	5.5	5.5	5.5
Social Affairs	0.4	0.4	0.4	0.4	2.3	0.0	0.7	0.6
Housing	3.5	3.7	4.1	4.4	4.4	5.3	2.3	2.2
Other Social Services	1.8	1.7	1.8	1.9	2.6	2.4	2.2	2.4
Economic Services	18.7	18.4	19.6	16.9	13.9	16.4	22.3	21.7
Public Debt Service	1.2	1.4	3.0	2.5	1.5	1.7	2.1	2.6
Other Expenditure	15.9	15.4	15.0	16.8	19.8	16.0	14.3	20.2
Adjustment Items	0.0	0.0	0.0	0.0	-0.6	0.8	-1.1	-0.2
Total Expenditure[1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

[1]Totals may not add due to rounding.

Source: Cameroonian authorities.

Table B-7. Value of Agricultural Production at Constant 1974/1975-1976/1977 Prices
(millions of CFA francs)

Category	1965	1966	1967	1968	1969	1970	1971
Subsistence Crops (mostly)	77,216	78,653	78,925	84,130	87,079	89,423	92,046
Export Crops	31,353	35,177	37,478	39,855	44,897	47,173	45,168
Other Products	21,142	21,163	21,658	22,321	23,029	23,824	24,532
Livestock & Fishery	20,608	21,987	27,435	27,720	29,130	32,586	34,993
Forestry	16,039	15,934	17,958	18,910	19,290	20,558	21,042
Total Value of Production	166,358	172,914	183,454	192,936	203,425	213,564	217,781

Category	1972	1973	1974	1975	1976	1977	1978
Subsistence Crops (mostly)	94,680	101,692	106,251	109,551	114,842	116,813	131,538
Export Crops	50,321	47,778	49,889	50,599	44,992	43,693	50,180
Other Products	25,193	26,245	26,937	27,672	27,548	28,015	28,046
Livestock & Fishery	37,240	38,797	40,216	40,697	41,874	45,119	46,675
Forestry	22,839	24,913	27,612	25,401	28,100	27,056	29,129
Total Value of Production	230,278	239,425	250,905	253,920	257,356	260,696	285,568

Source: Direction de la Statistique et de la Comptabilite Nationale.

Table B-8. Value of Agricultural Production at Constant 1974/1975-1976/1977 Prices (percentages)

Category[1]	1965	1966	1967	1968	1969	1970	1971
	Percentages						
Subsistence Crops (mostly)	46	45	43	44	43	42	42
Export Crops	19	20	20	21	22	22	21
Other Products	13	12	12	12	11	11	11
Livestock & Fishery	12	13	15	14	14	15	16
Forestry	10	9	10	10	9	10	10

Category[1]	1972	1973	1974	1975	1976	1977	1978
	Percentages						
Subsistence Crops (mostly)	41	42	42	43	45	45	46
Other Crops	33	35	35	36	37	36	39
Export Crops	22	20	20	20	17	17	18
Other Products	11	11	11	11	11	11	10
Livestock & Fishery	16	16	16	16	16	17	16
Forestry	10	10	11	10	11	10	10

[1]Totals do not add due to duplication of categories.

Source: Direction de la Statistique et de la Comptabilite Nationale.

APPENDIX C

THE FIFTH FIVE YEAR ECONOMIC, SOCIAL, AND CULTURAL DEVELOPMENT PLAN

by

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I. INTRODUCTION

As the name implies, the Fifth Five Year Development Plan of the United Republic of Cameroon is the fifth guarded move the Republic is making since its independence to define objectives and to give directives in order to continue in the effort to improve the living standards of its people, and to develop the country to the limits of its potential. The beginning of the Fifth Plan happens to be twenty years since independence, and is also twenty years away from the year 2000 which many U.N. bodies and the International Community have set as a target year at which time great improvements should be made in the living standards of the suffering masses in most parts of the world. In the preparation of the Fifth Plan, cognizance was made of the fact that the country has had twenty years of experience on the road to development, and thus a very careful analysis of that period was made in order to better orient the actions to be taken to attain the objectives that have been set for the year 2000. The Fifth Plan is therefore the first concrete step that the country plans to take on its journey to the goals defined for the year 2000. These goals are outlined in a document produced by the Department of Planning and titled "Summary Report on Development Prospects by the Year 2000."

The United Republic of Cameroon has adopted a systematic approach to development, and has certain guiding principles that orient every action taken in the effort to develop the country. It is in this light that development activities in the country are based on the fundamental options set below:

-- Planned liberalism, a system which on the one hand encourages private initiative insofar as it is a driving force behind progress and, on the other hand, assigns to the State the task of mobilizing, coordinating and guiding these initiatives in an atmosphere of respect for the general interest and national sovereignty.

-- Self-reliant development which means work, productive and creative effort by the people themselves.

-- Balanced development between the different sectors of activity, between the regions, the towns and countryside, men and women, adults and youths.

-- Social justice which aims at redistributing equitably the fruits of growth between the different social groups and giving each citizen an equal opportunity within the framework of national solidarity.

These options attest to a political will for endogenous development which can be achieved by Cameroonians for Cameroonians. These were the guidelines in the preparation of the Fifth Plan and will orient its implementation for the next five years.

The preparation of a five-year development plan in Cameroon has a procedure laid down which is followed each time a plan is being drawn. The President of the Republic, who is at the same time Head of Government, lays down the main lines of the nation's planning policy, economic, social, and cultural development policy, and makes the major decisions in this connection. He consults the Economic and Social Council on the draft plan and the National Assembly debates and adopts the law to approve the plan. The National Party, the Cameroon National Union, has a double role to play in the economic, social, and cultural development of the nation. It remains in permanent contact with the people, and therefore, knows and makes known the aspirations and reactions of the population so as to provide guidance with regards to decision-making. Second, it mobilizes and organizes the population so as to ensure the success of the plan.

The preparation of the Fifth Plan, like that of the previous plans, was based on administrative and consultative structures whose forms can be compared to that of a pyramid.

In the administrative structure, the preparation of the plan is coordinated by the Minister of Economic Affairs and Planning who is assisted, technically, by the Department of Planning. Advisory bodies, called National Planning Committees, which are composed of public and semipublic services and representatives of all of the country's economic and social forces, assist the Minister of Economic Affairs and Planning in making a critical analysis of the results. These Committees' proposed guidelines define the objectives to be attained, choose priority programs to be carried out, and define the conditions of the implementation. In all thirteen sectoral committees, summary report committees were formed for the preparation of the Fifth Plan. Assistance in the preparation of the Fifth Plan was also provided by the subdivisional, divisional, and provincial administrative structures and advisory bodies, called Development Committees, which were set up by Presidential decree. These committees are composed of competent personnel of external technical services, representatives of public and semipublic bodies, and economic and social forces of the area, in particular parliamentarians, members of the Economic and Social Council, mayors, and Party Officials and religious authorities.

The key ideas that guided the preparation of the Fifth Plan were outlined in Presidential Circular No. 09/CAB/PR of 27 September 1980 as follows:

-- The actual achievement of self-sufficiency in food;

-- The revitalization of production structures in agricultural, forestry, livestock and fisheries sectors in order to obtain surpluses that will meet both domestic and the constantly increasing demands of the export trade;

-- The intensification of efforts to prospect for and exploit our mineral and energy resources in order to make this sector, alongside our agricultural sector which continues to be the backbone of our development, the new driving force behind our national economic growth;

-- The reorientation of the industrialization of the country through a policy that gives priority to the revalorization of local raw materials and the promotion of highly competitive enterprises.

These ideas coincide perfectly with the preoccupations of the National Party and the population at large. In order to achieve these objectives in the major production sectors, it is presupposed that a permanent and effective mobilization of all the human resources for the task of development will be undertaken. The Fifth Plan will, therefore, have to create conditions favorable to an indispensable balance between the towns and the countryside, or rural areas, and encourage all economic groups to participate more actively in the definition, formulation and achievement of development objectives. In this light the following conditions will have to be fulfilled:

-- The improvement of the environment and living conditions, in particular, in the rural areas in order to reduce the rural exodus phenomenon to proportions compatible with the harmonious growth of the national economy.

-- The making of each economic group responsible through social and educational guidance which meets the requirements of development and is concerned with producing citizens who are fully aware that they are the principal architects of their own economic, social and cultural liberation.

-- A better development throughout the national territory of infrastructures, transport, communication and distribution activities in a way that will ensure the balanced distribution in space of the fruits of growth.

-- The judicious recycling, in the economy, of national savings and contributions from abroad.

Before proceeding to present the sectoral programs of the Fifth Plan, it is necessary to discuss some basic technical information about the country and its economy in order to understand the background from which these programs are conceived. From the general census of 1976, the population of Cameroon was determined to be 7,661,000, and it has been projected that in 1981/1982, which is the beginning of the Fifth Plan, the population is 8,657,000. It is expected that by the end of the Plan, in 1986, the population would have grown to 9,783,000, which would imply an average growth rate of 2.47 percent. The proportion of urban population at the beginning of the Plan is 33.1 percent, and it is projected that it will be 38.5 percent at the end of the Plan. The proportion of women in the population is estimated to be 50.1 percent and it is expected that it will not change during the Fifth Plan, which implies that great effort has to be expended to make better use of the potentialities of the female population in the development process. About 42.8 percent of the population is under 15 years old and 52.2 percent between 15 and 59 years old. It is expected that during the Plan these figures will be 43.3 percent and 51.8 percent respectively. In view of the fact that during the Fifth Plan the population will be growing younger--a situation which has repercussions on the responsibilities incumbent on the working population that is employed, on the community, and the state--measures will be taken with a view to ensuring to the population decent living conditions and adequate preparation for active life.

The Gross Domestic Product (GDP), which had a nominal growth rate of 18.5 percent during the Fourth Plan, is projected to have a growth rate of 7 percent in real terms. The growth rate observed in the primary sector during the Fourth Plan was 16 percent in nominal terms but this is expected to be 5 percent in real terms during the Fifth Plan. The growth rate, in nominal terms, of the secondary sector was 26.4 percent during the Fourth Plan, and this was due mainly to the dynamism of the building and public works branch and mining industries following the progressive exploitation of oil fields. The growth of this sector during the Fifth Plan is expected to be 13.4 percent in real terms.

It should be pointed out that for industrial production to increase at this rate, it will be necessary to set up industries that generate the setting up of other industries. The contribution of the tertiary sector to the GDP during the Fourth Plan grew at 17 percent per year in nominal terms, while the growth rate during the Fifth Plan, in real terms, will be 4.7 percent per annum. In general, the contribution of both the primary and tertiary sectors to GDP will lose some points to the secondary sector because of oil production, related industries, and other major production units which will increasingly attract manpower initially engaged in commercial and related activities. The secondary sector's contribution to GDP should therefore rise from 24 percent in 1979-1980 to 33 percent in 1985-1986. Consequently, the contributions of the primary sector to the GDP will fall from 35 percent in 1979-1980 to 31 percent in 1985-1986, and that of the tertiary sector from 41 percent in 1979-1980 to 36 percent in 1985-1986. The projected investment rate (GDP investment) is 23 percent.

After analyzing the general aspects of the Fifth Plan and discussing the basic policies and technical information that constitute the background from which the Plan was drawn, the sectoral programs of the plan will now be presented in some detail. Note should be taken of the fact that only the broad orientations of the sectoral programs can be present at this time, but the real details can be obtained from the final Fifth Plan document after it comes off the press and is distributed to our embassies and economic missions overseas.

II. THE PRODUCTIVE SECTORS

A. Rural Production

1. Agricultural Sector

As already mentioned above the major concern of the Fifth Plan in the domain of agriculture is to satisfy the total food requirements of the Cameroonian population. A long-term food plan (to the year 2,000) was drawn, and has aided in the determination of the major programs adopted for the Fifth Plan.

In order to attain the objectives of the sector, the Fifth Plan will have to undertake a big dynamisation of the existing productive structures in the rural areas. Consequently, the creation of Rural Integrated Development Authorities has been foreseen for each Province and measures will have to be taken to ensure a better management of all agricultural inputs. The agro-industrial companies will also be called upon to increase their productivity.

The objectives of the Fifth Plan in the forestry domain call for a better understanding, a better management, and more concerted effort in the preservation of the national forest reserve. In effect, the aim is to develop local consumption of wood, and increase it to not less than 400,000 cubic meters of dressed timber by the end of the plan.

In quantitative terms the agricultural production objectives of the last year of the Fifth Plan are as follows:

Cereals (maize, rice, wheat, sorghum/millet)	937,000 tons
Tubers (cassava, cocoyams, yams and potatoes)	2,066,000 tons
Cocoa	139,000 tons
Robusta coffee	90,000 tons
Arabica coffee	38,000 tons
Tea	2,400 tons
Cotton	128,000 tons
Rubber	22,000 tons
Wood:	2,350,000 m^3
for exportation	860,000 m^3
for local transformation	1,490,000 m^3

2. Animal Breeding and Fishing

Even though the FAO norms for the consumption of animal protein is 42 kg of meat per person per annum, the Fifth Plan has taken into consideration the problems of this sector, and set the goal at 36 kg of meat per person per annum by the end of the Plan.

In order to attain this goal the Plan aims at rationalising the development of stock breeding, the reorganisation and dynamisation of both maritime and continental fishing, and the development of village fish ponds.

It is expected that by the end of the plan the country should have nearly 5 million heads of cattle, 6.6 million goats and sheep, 1.8 million pigs, 15.5 million fowls, and the production of fish should be 124,870 tons.

The program of the rural sector, which was adopted in order to attain the above objective, will require a total investment of 545.1 billion francs CFA during the next five years. Of this total 434.7 billion francs will be invested in agriculture, 82.8 billion francs on livestock and fisheries, and 27.6 billion francs on forestry.

B. Industries, Mines, Power, SMU, and Handicraft

The secondary sector is expected to give new impetus to the national development effort during the Fifth Plan as a result of the exploitation of newly discovered natural resources, the entry into operation of the newly constructed hydro-electric stations, the on-the-spot transformation of local raw materials and new impetus given to the development of small- and medium-size undertakings (SMU) and handicrafts. The existence of important internal requirements associated with an effective demand, the rapid development of importation and the availability of local raw materials, justify the carrying out of a good number of project studies and the construction and extension of production units in Cameroon during the Fifth Plan period.

In the Mining subsector, the most important project is the intensification of mineral prospection within the entire national territory.

In industry the most important projects include the following: The maize complex of the West Province, the cassava agro-industrial unit for the East Province, the rum distillery project, the study of an industrial unit for palm oil, the quinine production project, the unit for the production of tomato paste, the study and the creation of a pineapple canning unit, the Benoue sugar complex, rural brickyards, the study for the construction of a new cement factory, the industrial gum unit, the assembling of vehicles and tractors, the production of construction materials, the wood complex of the South-East region of Cameroon, industrial units for the manufacture of furniture, the soya bean complex for the East Province, the production of polyesters, the study of an industrial master plan, the production of electric bulbs, a metal works unit, the unit for the production of bush lamps, the production of tubes from cast-iron, the electric steel-works unit, and the continuation of studies of the conditions of exploiting mineral resources such as iron, bauxite, gas and gold.

The principal projects in the energy subsector include the following:

-- The establishment of an inventory of the energy potentials of the country;

-- The study of a long-term energy development plan;

-- The establishment of the hydrocarbons storage infrastructure;

-- The transportation of electrical energy;

-- The study leading to the construction of a hydro-electric dam on the Ntem river at Mvele.

In the sector of small- and medium-size enterprises a certain number of actions will be taken in order to promote the sector, and consolidate the existing achievements. These actions are:

-- The carrying out of a complete census of SMU and handicrafts;

-- The creation of the Cameroon Handicraft Authority, and the establishment of a mutual fund for the sector;

-- The development of identified handicraft zones;

-- The reinforcing of the workshops operated by the Centre for Assistance to Small- and Medium-Size Enterprises (CAPME).

All the projects of this sector will call for a total investment of 377 billion francs CFA during the Plan period. Of this amount, 184 billion will finance industries, SMU and handicraft and 193 billion francs will be used to finance the mines and energy subsector.

C. Commerce, Transport, Tourism, and Hotel Industry

The activities of the service sector will be geared towards making Cameroon and its products better known externally, and the improvement of the distribution network for goods. The movement of people will also be facilitated during the Plan.

In Commerce the following projects were adopted for the Fifth Plan:

-- The realization during the Plan of an international trade fair;

-- The construction and equipment of market halls in Yaounde and Douala;

-- The study and construction of warehouses;

-- The establishment of an integrated network of producers, transporters and merchants;

-- The development and equipment of markets in the country.

In order to facilitate the movement of people and the distribution of merchandise in the country, a good number of projects were approved for the transport subsector. Among these projects the most important are:

-- The realization of a multimodel transport plan;

-- Measures to be taken to prevent road accidents;

-- The establishment of a National Council of Road Transporters;

-- The purchase of more buses for the urban transport company (SOTUC);

-- The increase in the carrying capacity of the railway through the acquisition of more rolling stock and better management;

-- The increase in the carrying capacity of the maritime transport system through the purchase of five ships;

-- The increase in the carrying capacity of the air transport system by purchasing three new planes.

For tourism and hotel industry, the following program was drawn:

-- The improvement of existing hotels and construction of new ones in order to have an additional 3,000 rooms by the end of the Plan;

-- The improvement of existing touristic sites;

-- The improvement of services in the tourism trade;

-- Organization of the system of gathering statistics.

The projects adopted for this subsector will require a total investment of 176 billion francs CFA. Commerce alone will require 16 billion, transport will get 110 billion, while tourism will need 50 billion francs to implement its projects.

III. SOCIAL SECTORS

A. Education and Training

At the end of the Fourth Plan a study was conducted to determine the problems of the different sectors. After identifying the problems, a certain number of solutions were proposed and measures have been taken to ensure the application of these solutions during the Fifth Plan. In the sector under consideration the following steps will be taken:

-- Educational reform will be undertaken in order to improve the level of education dispensed in the schools, and special effort made to increase the number of teachers while providing enough teaching materials.

-- Technical education will be given priority at both the secondary and higher levels of our school system.

-- Certain measures will be taken to enable the efficient running of the school system. These include the creation of a National Education Fund, the rational use and readjustment of apprenticeship taxes in professional education, and the awarding of special advantages to teachers who will be called upon to work in remote or frontier regions.

Through the analysis of historical trends of the demand for education and the demographic prospects it has been determined that the school-going population will evolve in the following manner:

-- From 32,000 to 103,000 pupils at the nursery level;

-- From 1,254,000 to 1,700,000 pupils at the primary school;

-- From 145,000 to 276,000 students at the secondary grammar school level;

-- From 45,000 to 121,000 students at the technical secondary school level;

-- From 12,000 to 25,000 students in higher education.

This increased demand for education will require supplementary construction and equipment of schools and the training of more teachers. It is calculated that this will lead to the construction and equipment of 1,470 classrooms for nursery schools, 11,500 classrooms for primary schools on the basis of 50 pupils per classroom, 2,670 classrooms for secondary grammar schools on the basis of 45 students for each classroom, 1,810 classrooms for technical secondary schools and 150 classrooms for post-primary education. In addition, the already created university centers will be constructed and the existing ones extended. In order to ensure a complete satisfaction of the need for teachers, 10,200 teachers will be trained for the primary schools, 6,914 teachers for secondary grammar schools, 4,535 for technical secondary schools and 944 teachers for post-primary schools. This general training program will be accompanied by the usual specialised training that is required for the other sectors.

The investment required for all educational projects will be 202 billion francs during the Fifth Plan.

B. Health and Social Affairs

The actions to be taken during the Fifth Plan in the health domain are directed towards the achievement of the following fundamental objectives:

-- The total coverage of the country with health infrastructure;

-- Improvement of the management and the quality of health services;

-- Giving preventive medicine the priority it deserves;

-- The participation of village communities in matters concerning their health.

The Social Affairs subsector will give particular attention and assistance to the handicapped and needy, the protection of children and the improvement of social and family life. A total of 92 billion francs CFA will be needed for the financing of the projects which were adopted for the Health and Social Affairs sectors.

C. Youth and Sports

The programs of this sector have been drawn with the following objectives in mind:

-- To ensure the insertion of youths in the economic circuit;

-- To fight against rural exodus;

-- To protect the youths from juvenile delinquency, violence and drugs;

-- To develop in the youths a sense of duty and make them adhere to the traditional and modern values of the nation;

-- To promote sports activities and other pasttimes among the population, and to develop popular education.

In order to achieve these goals, many projects were inserted in the plan for this sector, and the most important of them are:

-- The construction and equipment of the National Institute of Youth and Sports, National Youth and Sports Centres, and a number of stadiums in Provincial and Divisional headquarters;

-- The acquisition of technical equipment, and the realization of studies which should lead to the improvement of sports infrastructures capable of handling international sports events;

-- The institution of 9 mobile teams for the animation and guiding of youths in the rural areas with assistance from the National Civic Centre for Participation in Development.

A total of 32 billion francs CFA will be required for the Youth and Sports programs during the Fifth Plan.

D. Information and Culture

The program of this sector will cost 37 billion francs during the next five years and the most important projects are:

-- The setting up of a national television network;

-- The construction of two Provincial radio stations in order to complete the radio coverage of the nation;

-- The construction of museums in four Provincial Headquarters;

-- The extension of the printing and book editing infrastructure to all parts of the country;

-- The construction of a record manufacturing factory;

-- The creation of a national institute of arts, a national dance troop, and a rural newspaper.

IV. SUPPORTING SECTORS

A. Communications Infrastructure

The projects to be undertaken in this sector have been aimed at ensuring a permanent link between the different regions of the nation. Measures will also be taken to ensure that the nation is linked with other countries by the different modes of transport.

1. Roads and Bridges

The main objectives of the subsector were to progressively make border and remote areas accessible, to improve the state of the road network through maintenance and adequate reinforcement, to continue the tarring of the major roads used for international communication, and to undertake a coherent program for the construction of highways and farm-to-market roads.

The need for high level technical personnel has been felt, and measures will be taken to train a good number during the Fifth Plan. The projects of this subsector are divided into three sections: the projects of the Ministry of Equipment, the projects related to the construction or reinforcement of roads and bridges, and the projects related to the studies of roads and bridges. The projects of the Ministry of Equipment involve the training of technical personnel, the construction of technical buildings, and the acquisition of civil engineering equipment. This program will cost 24.1 billion francs during the next five years. The program for the construction and reinforcement of highways will require 244.8 billion francs during the Fifth Plan, and the studies of roads and bridges will cost 12.2 billion francs CFA.

The extension of the Douala port will be continued in order to create a zone for UDEAC (Central African Customs Union), a fruit terminal and a mineral terminal. Studies for the creation of a deep sea port at Rocher du Loup in Ocean Division will be done. The total cost of projects related to port facilities is estimated at 27.6 billion francs.

The work on the realignment of the Trans-Cameroonian Railway will be continued and studies undertaken to improve and lengthen the Douala Nkongsamba railroad towards Dschang in the West Province. Another major study to be undertaken during the Plan will be on the rail link between Bangui in the Central African Republic and the Ocean Division in Cameroon. The cost of all railway projects is estimated to be 63.3 billion francs.

In the area of civil aviation and meteorology, the projects adopted include the construction and maintenance of airports at Garoua and Bafoussam, the reinforcement of existing runways, the creation and the maintenance of meteorological observation centers, and the acquisition of relevant technical equipment. These two programs will cost a total of 43.6 billion francs during the Fifth Plan.

B. Town Planning and Housing

The main objectives of the sector include the mastery of urban development and better town planning, the consolidation of the policy of social housing, and the provision of pipe borne water and electricity to a large number of towns during the Plan.

In order to attain these goals during the Plan period a certain number of important projects were adopted. These include the general and sectoral study of urbanisation, the feasibility studies involving town planning, the extension of town planning to developing population centers, the establishment of industrial plans for most Provincial capitals, the construction of 14,000 housing units by the real estate company (SIC), the creation and development of industrial zones in all Provincial capitals, the provision of pipe borne water to 81 centers and the electrification of 81 centers.

The programs for Town Planning and Housing will call for an investment of 253 billion francs during the Plan.

C. Scientific and Technical Research

The research program during the Fifth Plan will have to reinforce the work of the other sectors. With this in view the Research and Development (R & D) program is very ambitious and covers a wide area of activity: there will be agricultural and forestry research to improve the quality and quantity of food crops; the preservation of food crops after harvest; and the improvement of the knowledge concerning the management of the forest. In this connection work will be done on agro-meteorology, soil inventory and the fight against the degradation of the soil, and environmental studies. Medical research and work on medicinal plants will receive special attention, while geological research will center on the quality of water and the production of a geological map of the country. The zoo-technical research that is already underway will be intensified with special emphasis on animal health and nutrition. Research in the area of human sciences will be continued in order to better understand the social and cultural basis of the Cameroonian society.

During the Fifth Plan some large scale studies and surveys will also be undertaken. The second agricultural census will be conducted and the system of collecting statistical information in all sectors will be improved. A socioeconomic data bank and a system of national documentation will be created.

The program of this sector will require the investment of 29 billion francs during the Fifth Plan.

D. Administrative Infrastructure

During the plan, great effort will be made to bring the administration to the administered. In this light, the quality of service rendered will be improved and the appropriate equipment obtained in order to render the public service system more efficient. The projects of this sector will call for a total of 55.2 billion francs during the Fifth Plan.

One herculean task which will be undertaken during the Fifth Plan is to maintain the inflation rate between 11 percent and 13 percent. In order to achieve this it will be necessary that the national economy be able to absorb and digest the considerable financial resources that will be available throughout the period of the Fifth Plan.

It has been estimated that 2,300 billion francs will be needed for the financing of this plan, and that 60 percent of this will be public financing, while 40 percent will be private. About 16.5 percent (380 billion francs) of the required financing is expected to be external public financing in the form of loans and subsidies.

The Fifth Five Year Economic, Social and Cultural Development Plan is the most ambitious plan that the country has ever adopted. This has been done after a full consultation with the Cameroonian population, and a very meticulous study of all the sectoral programs.

All the organs of the Government and the National Party have been mobilised in readiness for the work ahead of the nation, and it is believed that with the traditional Cameroonian peace and national unity this plan, like the previous ones, will be implemented successfully.

APPENDIX D

CAMEROON: SUMMARY OF TAX SYSTEM, 1981

Table D-1. Cameroon: Summary of Tax System, 1981

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on net income and profits			
1.1 Taxes on companies			
1.11 Corporate income tax (Impot sur les societes)	Levied on both Cameroonian and foreign companies on their net income derived from activities in Cameroon. Returns of taxable income must be filed before October 31. Tax as calculated on the return is due in three equal payments, on October 31, January 31, and April 30 of the year following filing of the return. Any additional assessment calculated by the Tax Service is due within 30 days of notification.	Normal business expenses, including depreciation allowances, are deductible. Depreciation allowances range from 5 percent for buildings to 50 percent for glassware and utensils used in hotels and restaurants. Cooperatives, agricultural development institutions, and companies enjoying tax holidays under the Investment Code are exempted.	35 percent. A penalty of 10 percent per month is levied on delayed payments. Tax rate reduced by half on reinvested profits in sector deemed to be of priority and falling within the scope of a three-year development plan approved by the Minister of Finance.
1.12 Minimum tax on companies (Impot minimum forfaitaire sur les societes)	Levied on all companies subject to 1.11, if corporate income tax would fall below minimum.	Cooperatives, companies enjoying tax holidays under the Investment Code, and all companies for the first two years of their activities are exempted.	1 percent of annual turnover for previous year, with a minimum of CFA 400,000. Half rate for artisans' cooperatives.
1.13 Tax on royalties and other payments abroad (Prelevement sur les redevances payees a l'etranger)	Levied on payment abroad with respect to payments for copyrights, patents, know-how, film royalties, and technical assistance or advice, providing such payments have been taken on deductions against business income.		15 percent.
1.2 Taxes on individuals			

D-1

Table D-1. Cameroon: Summary of Tax System, 1981 (cont.)

	Tax	Nature of Tax	Exemptions and Deductions	Rates
1.22	Personal income tax (Impot sur le revenu des personnes physiques)	Tax levied on annual income received by individuals. Composed of two main parts: a proportional tax, divided into several schedules (see 1.22a through 1.22f) and a progressive surtax (1.22g). The tax year runs from July 1 through June 30, and returns of taxable income must be filed before September 30.	Diplomats are exempted on a reciprocity basis.	
1.22a	Tax on industrial and commercial profits (Impot sur les benefices industriels et commerciaux)	Levied on net income from Cameroonian sources received by both residents and nonresidents and derived from industrial and commercial operations. Assessment by forfait applies to taxpayers with an annual turnover of less than CFA 20,000 or, in certain cases, CFA 7,500.00.	Normal business expenses, including depreciation allowances, are deductible as in 1.11.	22 percent. Tax rate reduced by half for income of less than CFA 200,000 per annum, with minimum tax payments set at 1 percent of annual turnover. Tax rate also reduced by half on reinvested profits as in 1.11.
1.22b	Tax on noncommercial profits (Impot sur les benefices non commerciaux)	Levied on net income of all residents engaged in independent activities of a noncommercial nature; it applies mainly to professional income.	Same exemptions and deductions as in 1.11.	22 percent. Same rate reductions as in 1.22a.
1.22c	Tax on agricultural profits (Impot sur les benefices des exploitations agricoles)	Levied on net income of farmers.	Same exemptions and deductions as in 1.11.	15 percent. Same rate reductions as in 1.22a.
1.22d	Tax on real estate income (Impot sur les revenus fonciere)	Levied on rental income from real estate.	Income from rental to direct descendants or ascendants, and rental income received during the first ten years after a building is completed, renovated, or expanded.	20 percent

Table D-1. Cameroon: Summary of Tax System, 1981 (cont.)

Tax		Nature of Tax	Exemptions and Deductions	Rates
1.22e	Tax on wages and salaries (<u>Impot sur les traitements et salaires</u>)	Levied on net income from wages, salaries, pensions, and annuities. Wage and salary earners whose monthly wages or salaries are higher than CFA 5,000 are subject to withholding at source within 20 days of following month.	Dependency allowances, social security benefits, and 20 percent of remunerations representing professional expenses are deductible. However, remunerations in kind is included as follows: Housing 5 percent Domestic help 5 percent Utilities 3 percent Food 20 percent	3 percent.
1.22f	Tax on income from securities (<u>Impot sur le revenu des capitaux mobiliers</u>)	Levied on dividends, distributions to shareholders in limited partnerships, interest, directors' fees, and other similar items received by residents.		15 percent
1.22g	Progressive surtax (<u>Surtaxe progressive</u>)	Levied on net annual income received or accrued from all sources.	Interest and pensions, tax payments, and social security payments are deductible. Personal reliefs are based on the income-splitting system. The taxpayer is allowed a split for his/her spouse and half a split for each dependent child with an upper limit of five splits. The rate table is applied to split income, and the resulting amount is multiplied by the number of splits in order to reach total tax.	Below CFA 200,001 Exempt CFA 200,001-350,[illegible] 10% CFA 350,001-500,000 15% CFA 500,001-750,000 20% CFA 750,001-1,000,000 25% CFA 1,000,001-1,500,000 30% CFA 1,500,001-2,000,000 35% CFA 2,000,001-3,000,000 40% Over CFA 3,000,001 45% Wage and salary earners pay a flat minimum of CFA 2,400 if tax rate table calculation produces a lower amount.
1.22h	Minimum personal tax	Levied on all female residents of independent means and all male residents over age 18, providing they pay neither the progressive surtax nor the minimum tax on wages and salaries.	Indigents, the young attending schools, and the military are exempt. Taxable base varies according to standards of living and regions.	Minimum tax ranges from CFA 1,200 in highlands to CFA 1,500 in southern cities.

Table D-1. Cameroon: Summary of Tax System, 1981 (cont.)

Tax	Nature of Tax	Exemptions and Deductions	Rates
2. Payroll tax			
2.1 General payroll tax (Taxe d'apprentissage)	Levied on all taxpayers subject to the business fee (patente) on gross wages, salaries, and other benefits paid to their employees. Statement of taxable income must be made before September 30.	Companies with a taxable base of less than CFA 100,000 and artisans are exempted.	0.30 percent. Credit against tax given for expenditures on professional training, contributions to vocational schools, and payments of professional school fees. Excess credit is not reimbursed.
3. Taxes on domestic goods and services			
3.1 Internal turnover tax (Taxe sur le chiffre d'affaires interieur)	Assessed on gross receipts obtained from industrial, commercial, and professional activities, including sale of both goods and services.	Sales without further processing of goods which have already borne the turnover tax or the single tax are exempt. Export sales are exempt. Interest on home mortgage loans of less than CFA 5 million is exempt. Other exemptions cover unprocessed agricultural products, newspapers, private schools, and various financial and insurance transactions.	8 percent. 10 percent for movie theaters. 4 percent for handicrafts, transport, and certain credit or leasing operations. 2 percent for a few credit or leasing operations.
3.2 Special production taxes (Taxe interieur a la production, taxe unique)	Levied on gross sales by manufacturing firms which export to UDEAC countries or have the potential to do so and which benefit from special incentive agreements through UDEAC (taxe unique); or on domestic industries benefiting from similar incentive agreements (taxe interieur a la production). The taxe unique is also levied on imports from other UDEAC countries of products manufactured by companies benefiting from such agreements. Replaces and exempts from payment of customs duties, internal turnover tax.	Export sales exempt; sales to other companies benefiting from special production tax also exempt.	Most ad valorem, some specific; variable with each incentive agreement; may be different for each product, country, company. Range from 2 percent to 100 percent with most between 5 percent and 20 percent.

Table D-1. Cameroon: Summary of Tax System, 1981 (cont.)

Tax	Nature of Tax	Exemptions and Deductions	Rates
3.3 Business fees (Patentes)	Levied on companies and individuals engaged in commercial, industrial, and professional activities and subject to the tax on companies or the personal income tax.	Public entities, artisans, cattle raisers, fishermen, mutual insurance companies, and savings banks are exempted.	Vary over a wide range according to the nature and importance of activity and the region.
3.4 Licence fees (Licences)	Levied in addition to business fees on sales of beer and other alcoholic beverages.		Vary according to category of beverages and to region.
3.5 Cocoa excise (Redevances SI et SOCACAO)	Excise paid by major cocoa export companies on sales of cocoa products within Cameroon. Terms agreed by contract (convention) with each company.	NA	For regular cocoa, 71 percent of the export duty which would have applied had the product been exported; for other cocoa, 45 percent of relevant export duty.
4. Taxes on international trade			
4.1 Taxes on imports	The rates of all import taxes, with the exception of the complementary tax (5.13), are identical for all member countries of UDEAC.		
4.11 Customs duty (Droit de douane)	Collected on all imports on their c.i.f. value.	Imports admitted under special franchise or those subject to special treatment according to the Investment Code.	Rates range from 2.5 percent to 15 percent and may be tripled for imports originating in certain countries or consisting of certain specified goods.

Table D-1. Cameroon: Summary of Tax System, 1981 (cont.)

Tax	Nature of Tax	Exemptions and Deductions	Rates
5. Other taxes			
5.1 Registration and stamp duties (Droit d'enregistrement)	Assessed on the value declared at the time a juridical act is concluded.	NA	NA
5.2 Tax on cattle (Taxe sur le betail)	Levied on owners of cattle and horses. The proceeds go directly to local budgets.	Cattle owned by government and those used for breeding are exempted.	CFA 200 per head of cattle; CFA 150 per horse.
5.3 Tax on firearms (Taxe sur les armes a feu)	Levied on owners of firearms.	Firearms used by the military and those held in stock are exempted.	Range from CFA 200 to CFA 2,000.
5.4 Reforestation tax (Taxe de reboisement)	Levied on businesses involved in exploitation of forest resources.		CFA 5 to CFA 6 per hectare per annum.
5.5 Tax on bank credit (Taxe sur la distribution du credit)	Levied on all bank loans.		1 percent

Source: As compiled by international organisations on the basis of Cameroon authorities' information and documents.

APPENDIX E

THE NATIONAL INVESTMENT CORPORATION (SNI)

(Speech by Mr. Louis Claude Nyassa,
SNI President and Director-General,
January 1982)

I. DEFINITION OF THE SNI

Set up on December 16, 1964, the National Investment Corporation (SNI) is a State corporation, governed by the laws and regulations in force in Cameroon concerning limited companies in order to let the corporation have a large management autonomy.

Its purpose is:

-- To carry out, either directly or in cooperation with other State or semi-State bodies, any studies for economic development of industrial, agricultural and commercial character;

-- To offer assistance to the State Planning Services, to public administrations, bodies and institutions, at the request of the Government for the examination of economic problems and the study of development schemes or the establishment of priority companies and undertakings which require State participation;

-- To offer assistance to private concerns, at their request, for the study of any investment projects;

-- To contribute, according to its means and resources, by the purchase or redemption of shares, by the granting of loans, or by endorsements to the financing or investments of special and important interest, economically or socially;

-- To manage the portfolio of the State and public bodies and institutions;

-- To contribute to the mobilisation, the marshalling and the orientation of national savings.

Therefore, the SNI has two main purposes:

-- The acquisition or purchases of shares in the capital of companies; and,

-- The granting of loans to companies in which it has shares.

The resources of the SNI are constituted by:

-- Its capital;

-- The proceeds of its operations (remuneration of its interventions); and,

-- The proceeds of equipment bonds.

On June 30, 1980, the capital of the SNI amounted to 7 billion CFA and the total of its balance sheet to approximately 39 billion CFA, i.e., 128 million of U.S. dollars (at the present rate).

During the same period, the SNI had participated in 60 companies: 19 agricultural and agro-industrial companies, 26 manufacturers, 15 companies engaged in trade and services. The SNI follows the development of 10 other companies in process of formation or under study.

The shares of the SNI amount to more than 17 billion CFA and the loans granted to 11 billion CFA. In 1979-1980, the companies of this group have made a turnover of more than 150 billion CFA, i.e., approximately 640 million U.S. dollars (present rate). The companies in which the SNI has shares, have created 43,385 jobs and pay annually 31.3 billion CFA in wages. Taxes paid to the State by those companies amount to 19.6 billion CFA.

In June 1981, the value of our portfolio of shares has been estimated at 19 billion CFA and the portfolio of loans at 12 billion CFA.

Our corporation, which is under the supervision of the Minister of Economic Affairs and Planning, is administered by a Board of Directors composed of 12 members, and placed under the authority of a President-Director General who ensures the general management of the corporation. It is endowed with the following bodies:

-- A Studies and Promotion Board of Directors;
-- An Operation and Inspection Board of Directors;
-- A Financial Board of Directors;
-- An Administrative and Personnel Board of Directors.

As a tool of the Government, the SNI, in the first place, must promote and carry on agricultural, industrial and commercial projects presenting a primary interest for the development of the country. Those projects are generally scheduled in the economic and social development plan of the Nation, but this does not prevent the SNI, in conjunction with the Administration, to carry out projects not scheduled in the Plan on account of their profitability, their emergency and the economic and social conjuncture.

As soon as the Plan is published, the SNI sets up a working program for five years. As you know, the Fifth Plan has just been adopted and the SNI has already set up a list of projects.

The following step is to check the feasibility of those projects. The SNI then contacts different partners who might be interested by these projects. The SNI and its partners finance a feasibility study to evaluate the market, to define the best conditions for the production, and to analyse the profitability of the project. Studies of projects made in the past will only be brought up to date.

We must also mention that before carrying on a feasibility study the SNI likes to make a marketing and pre-investment study of the project in order to make easier the search of technical and financial and commercial partners.

Once the project is proved to be profitable, a management structure is set up and the different administrative procedures are undertaken in order to benefit, for example, from the Investment Code System. At the same time, partners are contacted in order to put in concrete form the financial plan already fixed.

Once all those tasks have been accomplished, the new company takes shape and the Board of Directors becomes responsible for its management.

Therefore, the main steps in the promotion of private investment projects are:

-- The setting up of a working plan by the SNI;
-- The search for technical and financial partners;
-- The carrying out of feasibility studies;
-- The carrying out of profitable projects;
-- The setting up of management firms.

A. Promoting Measures and Economic Context

Four different schedules are set forth in the Cameroonian Investment Code:

1. Schedule "A"

Undertakings approved for Schedule "A" are exempted from import duties and taxes on equipment, material and raw materials required for the production and processing of products. This exemption shall be allowed for a period not exceeding 10 years.

2. Schedule "B"

Undertakings benefiting from Schedule "B" will automatically receive all the benefits of Schedule "A." They are exempted from the tax on industrial and commercial profits for the first five years.

Normal depreciation for the first five years may be set off against taxation for the three years following. These provisions remain in force for 10 years.

3. Schedule "C"

This schedule allows undertakings of special importance to conclude an Establishment Convention with the Government of Cameroon. This convention, which runs for a fixed term of no more than 25 years, gives some guarantees, like legal, economic and financial guarantees. The tax concessions accorded under Schedule "B" may be granted, in whole or in part.

4. Schedule "D"

This schedule allowed undertakings of prime importance to conclude an Establishment Convention with the Government of Cameroon. In addition to the benefits specified in Schedule "C," tax stability is granted. This convention will remain in force for a period not exceeding 25 years, to which may be added the normal period required for the installation.

Some other special schedules exist also, as, for example, for small- and medium-size undertakings, for Forestry, which grant a reduction of import duties and taxes on equipment and materials with the applying of a 5 percent rate.

Other special provisions exist for hotel trade and tourism; four different schedules are set forth:

-- Schedule "T1": this schedule allows the reduction of import duties and taxes with the application of a 5 percent rate.

-- Schedule "T2": in addition to the benefits of schedule "T1," this schedule exempts undertakings from the tax on industrial and commercial profits for a period of 5 years.

-- Schedule "T3": convention schedule granting, in whole or in part, a tax stabilization during 15 years.

-- Schedule "T4": reinvestment schedule for hotels and other touristic installations which want to extend or improve their equipment.

Besides those special provisions mentioned here above, which apply to undertakings approved by the Investment Code, there is also a system of common law, called "reinvestment," which applies to all undertakings reinvesting part of their benefits. This system sets forth a 50 percent tax reduction.

Always in order to create a favorable economic context for the implementation of industries, the Cameroonian Government has set up an "Industrial Areas Development and Management Authority" which creates, plans and develops industrial areas and offers them to companies at very interesting prices (230 CFA/m2 per year).

In the same range of idea, the term of medium term credit was brought to 10 years and the rate remains very low. Therefore, local expenses can be financed at a rate of 11.51 percent for rediscountable and privileged operations, and at a rate of 14.80 percent for a nonrediscountable credit.

In addition to those measures taken to promote investments, the State has set up a system of protection against foreign competition providing, however, that the products benefiting by this protection are of good quality and their prices competitive.

For projects presenting a special interest for the economic development of the country, the Government studies, favourably, the files submitted with a view to obtain the endorsement of the State for external loans.

I will not go into all the details of the Cameroonian fiscal system, I would just like to point out that taxes on industrial and commercial profits with the surtaxes only reach 38.8 percent; the turnover tax 9.65 percent; the special tax on companies 0.5 percent to 1.5 percent of the capital stock and the minimum approved tax is calculated on the basis of 1 percent of the turnover.

We must also mention that other taxes, business license taxes and registration and stamps duties exist and are variable. For example, a registration fee for undertakings is in force in Cameroon at a rate ranging from 0.25 percent to 2 percent of the stock capital.

The Cameroonian customs system includes 7 different taxes on imports:

-- Customs duties: 0 to 30 percent of the CFA value;

-- Import duties: 0 to 4 percent of the CFA value;

-- Turnover tax: 10 percent of the CFA value plus customs and import duties;

-- Additional tax: specific or ad valorem;

-- Unloading tax: its specific rate ranges from 110 to 1,900 CFA per series and per ton;

-- The Municipal tax: a specific tax with a rate ranging from 50 to 3,000 CFA per series and per ton;

-- Tax collected in favor of the National Shipping Agents Council: 30 percent.

This is the common law of the fiscal system but most companies approved by the Investment Code are exempted from most of those taxes and duties.

I will not make a detailed study on the costs of factors of production in Cameroon, I will only say that the cost of energy varies between 5 and 20.6 CFA/KW/H.

The price of gas is still low:

-- A litre of high grade gasoline is sold at 150 CFA;
-- A litre of gasoil is sold at 122 CFA;
-- Water costs 100 CFA/M3.

Transport rates vary depending on the type of products transported. For example, the freight for a wagon loaded with empty packings varies from 10 CFA to 20.8 CFA per ton and per km.

It seems to me that all those figures could give you a little idea of the economic context in which we are working.

II. PROJECTS PROPOSED BY THE SNI

This is not an exhaustive list and we will welcome any other proposals. Among those different projects we will mention are the following:

A. The Hilton Hotels

Erection of 4 hotels, international category, 5 stars, in:

-- Douala: 350 rooms;
-- Yaounde: 200 rooms;
-- Garoua: 120 rooms;
-- Kribi: 100 rooms.

Those hotels will be built in cooperation with the American company Hilton acting as manager.

B. Corn Production and Processing

We have created in the past a company to carry out the experimentation--the Western Corn Mill. This project concerns the cultivation of 6,000 hectares of land with an expected production of 30,000 T, half of which will be transformed into brewing grits.

The estimated cost is 10 billion CFA; a production of approximately 5 T/ha seems possible and a large market exists in the country for corn and its by-products.

We will be glad to find an American company with a large experience in the production and manufacturing of cereals, and corn in particular, in order to carry out this project.

C. Pineapples

Production and processing of pineapples (fresh and canned). Some experimentations have already been made and today Cameroon exports fresh pineapples to Europe.

Market estimates have been done, and a complete factibility study is being made by a French company, the STEG, and its report is due between now and April 1982.

D. Tomato Production and Processing

Experimentations have been made and the construction of a dam in the north of the country has made possible the carrying out of this project on irrigated culture.

The duration of the dry season in this area combined with the availability of water allow the production of more than 30T of tomatoes per hectare.

We are looking for a partner in order to create a joint venture.

E. Tires

Manufacturing of tires, inner tubes, and eventually rubber products.

Various studies have been made showing that the Cameroonian tire market is 500,000 units per year.

This market may appear very narrow but we believe that with a good technology this project could be carried out.

F. "SAPICAM" Project

Production of poultry meat, fresh (one day-old) chicken eggs, and fodder.

- 1 million of chicks (one day-old);
- 10 million of eggs;
- 900 T of poultry meat; and,
- 1,200 T of fodder.

Studies are being made to bring this project up to date, since its new location is near Nkongsamba (140 km from Douala).

Studies are directed by a British firm, FRANK WRIGHT FEEDS, and will be completed in March 1982.

G. Second Textile Complex

The framework of this project is not yet very well defined.

The market survey will start very soon with the participation of MAURER TEXTILES of Geneva.

We can already say that it will be a complete unit including spinning, weaving, finishing, and printing. Exportation of unbleached material is not excluded.

H. Timber of Sangmelima

This project concerns lumbering and wood processing (sawmill, plywood, etc.). An inventory is underway, and will allow a precise listing of the different species in the said area.

An evaluation of the market is almost finished and between now and June 1982 the first orientation for this project will be known.

We must mention that the market surveys and the forest inventory are made by an Italian consulting firm and that the World Bank participates in the financing.

I. Steel Sections

At the moment, Cameroon imports most of the steel sections needed for the construction of buildings, bridges, etc.

Some proposals have already been made, including the one of the U.S. company, VIERLING STEEL WORKS, which fixed the production capacity at 10,000 T per year.

However, before going ahead, we believe that an accurate study of the market has to be done.

APPENDIX F

CAMEROON: STRUCTURE OF INTEREST RATES, EFFECTIVE APRIL 14, 1980

CAMEROON: STRUCTURE OF INTEREST RATES, EFFECTIVE APRIL 14, 1980

	In percent per annum
I. Central Bank	
1. Basic rediscount rate[1]	8.50
2. Preferential rate applicable to the following operations:[1]	
a. Advances on current account and rediscounts of medium-term credit to the Treasury	4.00
b. Short- and medium-term credit to small- and medium-size national enterprises	5.25
c. Agricultural credit exclusive of marketing and storage financing credit	5.25
d. Credit for marketing and storage financing to Government cooperatives and nonprofit marketing companies	5.25
e. Export credit and medium-term credit to Government cooperatives and nonprofit marketing companies	5.25
f. Medium-term credit for housing of social interest	5.25
g. Medium-term credit for agricultural and handicraft activities within the Bank's rediscount ceilings	5.25
3. Penalty rate applicable to the following operations:	
a. Temporary advances (prises en pension--2-30 days) within the Bank's rediscount ceilings with signatures not acceptable for rediscounting	10.00
b. Exceptional temporary advances in excess of the Bank's rediscount ceilings	10.00

CAMEROON: STRUCTURE OF INTEREST RATES, EFFECTIVE APRIL 14, 1980 (cont.)

	In percent per annum
II. Commercial Bank Lending Rates	
The commercial banks apply preferential rates to the following operations: agricultural credit exclusive of marketing and storage; crop financing as well as export credit and medium-term credit to Government agencies, cooperative institutions, and nonprofit marketing companies; credit to small- and medium-size national enterprises with outstanding short- and medium-term credit of less than CFA 25 million; and medium-term credit for housing of social interest.	
Preferential Rates	
Short-term	
1. Within individual rediscount ceiling	7.75
2. Outside individual rediscount ceiling	8.25
Medium-term	
1. Rediscountable credit	7.25[2]
2. Nonrediscountable credit	9.25
Normal Rates	
Short-term	
1. Commercial paper	
a. Within individual rediscount ceiling	13.00
b. Outside individual rediscount ceiling	13.75
2. Export credit	10.50
3. Overdrafts and nonrediscountable credit	
a. Rediscountable operations	13.00
b. Nonrediscountable operations	13.75

CAMEROON: STRUCTURE OF INTEREST RATES, EFFECTIVE APRIL 14, 1980 (cont.)

In percent per annum

Medium-term

1. Rediscountable credit	10.50[2]
2. Nonrediscountable credit	12.00

III. Commercial Bank Rates for Deposits

		Time Deposits			
	Demand Deposits	3-6 Months	6-12 Months	12-24 Months	24 or More Months
Amount in CFA Francs	(Interest rates in percentages)				
Up to 100,000	--	3.50	4.00	4.75	5.00
100,001-500,000	3.50	4.00	4.75	5.75	6.00
500,001-1,000,000	4.00	4.50	5.25	6.50	6.75
1,000,001-2,000,000	4.25	5.00	6.25	7.25	7.75
2,000,001-5,000,000	4.50	5.50	6.75	7.75	8.00
5,000,001-10,000,000	4.75	5.75	7.00	7.75[3]	8.00[3]
10,000,001 and above[4]	4.75	5.75	7.00	7.75	8.00

Source: Data provided by the Banque des Etats de l'Afrique Centrale.

[1]On medium-term credit there is in addition a commission d'engagement of 0.25 percent for the part repayable within five years, and of 0.50 percent for the part repayable after the fifth year; futhermore, a commission d'attente of 0.15 percent is applied when the utilization of the credit takes place within a period of 3 to 12 months after the rediscount agreement.

[2]To this rate must be added the commissions applied by the Central Bank.

[3]Prescribed minimum rate; higher rates are freely negotiable.

[4]The interest rates on deposits in this range are regarded as minimal; higher rates are freely negotiable.

APPENDIX G

FINANCIAL INTERMEDIARIES, TRAINING INSTITUTIONS AND SOURCES OF ECONOMIC INFORMATION

I. FINANCIAL INTERMEDIARIES

Credit institutions in Cameroon, aside from the BEAC and the commercial banking system, include the Cameroon Development Bank, the National Rural Development Fund, a loan guarantee agency for SMEs, and a number of active and widespread informal financial mechanisms. (As discussed in Section IV.A, minority participation by SNI and other parastatals is a significant source of investment funds, as, of course, is foreign direct investment.)[1]

There is no money market in Cameroon. In 1978, BEAC drew up a plan for the creation of a money market covering the entire monetary union. However, further action has been postponed, in part because bank liquidity is insufficient and in part because of objections from the Congo Government. There are, of course, interbank loans.

A. The Cameroon Development Bank (BCD)

BCD's existence dates back to pre-independence times, when it operated mainly as "social" bank under the name of Credit du Cameroun. In 1971, Credit du Cameroun was transformed into a multi-purpose development bank and renamed BCD. It has been given a broad mandate to provide financial and technical support for the implementation of all economic development projects in Cameroon. Consequently, the BCD has participated in all sectors of the economy. It has provided short-, medium-, and long-term loans, taken equity participations, given guaranties to private and public companies as well as individuals.

BCD equity investment in an individual firm cannot exceed 10 percent of the firm's share capital, and the aggregate of

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[1]These parastatals may include CNR (Caisse Nationale de Reassurance), CNPS (Caisse Nationale de Prevoyance Sociale), FONADER, ONCPB, the Caisse d'Epargne des Postes Camerounaises, and Credit Foncier du Cameroun. The insurance companies are another group of financial institutions with a role in the credit market. The GURC "Cameroonized" the insurance companies in 1973 by making them incorporate under Cameroonian law. Insurance companies must now keep 55 percent of their premiums in Cameroon. No complete data on insurance company assets were found, but one company, AMACAM, had a turnover that increased from CFA 1.58 billion in 1977 to nearly CFA 3 billion in 1979. (Marches Tropicaux, Nov. 7, 1980; p. 2,899.)

BCD's equity investment cannot exceed 50 percent of its own capital. In addition, short-term credits cannot exceed the sum of short-term borrowing, short-term rediscounts, and uncommitted medium-term funds, plus 50 percent of short-term deposits; and medium-term loans cannot exceed the sum of medium-term borrowings and rediscounts, uncommitted long-term funds, and 10 percent of short-term deposits.

Only about one-third of BCD's loans are direct: the bulk of the Bank's lending is done through consortia with other banks. Agricultural credits, most of which have been short-term loans for the marketing of agricultural products, account for about half of BCD loan approvals. Although quite variable, lending to industry averages about 20 percent of BCD's approvals, of which about four-fifths has been to large-scale enterprises. The share of credits to SMEs and artisanal enterprises, however, has been rising in recent years. The rest of the loans are made to the commercial sector. These loans, which in the past have generally financed commercial buildings, have also recently been extended for working capital requirements. BCD also made "social" loans for housing, cars, and consumer durables; because of their high administrative costs and dubious contribution to development, these were eliminated.

BCD's portfolio reflects its past and present loan policy. While lending to the agricultural sector accounts for the largest share of BCD's loan approvals, it represents less than 20 percent of its total outstanding portfolio, reflecting BCD's generally short-term financing in this sector. Lending to the housing sector, on the other hand, accounts for about 43 percent of its total outstanding portfolio.

Several problems within the BCD have received attention from foreign donors wishing to assist the Bank in improving its performance. Internal control has been poor. Economic analysis of project appraisals has been weak, and insufficient attention has been paid to the use of appropriate technology. Other problems include inadequate procedures for follow-up of projects, both under construction and in operation; poor control of disbursements; and a failure to require adequate accounting by borrowers. Many of these problems have been traced to insufficent training of some BCD staff.

Assistance to the BCD has been in the context of general assistance to SMEs. The World Bank's first SME project was co-financed by French aid and included three experts to strengthen BCD's project appraisal capability. A second World Bank SME project envisions further improvements in the functioning of the BCD. The African Development Bank also supports SME activities.

In light of recent changes in management and in financial and operational measures, the prospects for BCD's growth into an effective development institution are improving. Particularly encouraging is management's strategy to strengthen its promotional project appraisal and project supervisory services to small- and medium-scale industries.

B. Commercial Banks

Cameroon currently has nine commercial banks. The latest three are all American subsidiaries: Chase Manhattan, First of Boston, and Bank of America.

The commercial banks are mostly active in short-term financing (up to 18 months), with medium-term lending (up to 10 years) accounting for less than 18 percent of total lending. To ease access to credit by SMEs, the BEAC made it mandatory in 1974 for commercial banks to lend a minimum of 20 percent of their short-term credits to Cameroonian SMEs. However, it is said that in some cases, this requirement was met by disguising personal and housing loans as SME loans. The commercial banks' medium-term financing is mostly limited to long-standing customers, generally well-established firms. Medium-term credit to SMEs, because of costs and risks involved, is limited. When approved, it is generally made in consortial form with BCD as the lead bank, in order to benefit from BCD's extraordinary recovery privilege, which is equivalent to the collection right of the Government. Commercial bankers also claim that in order to extend more long-term loans, they would need matching long-term liabilities.

Another incentive for banks to prefer shorter term loans is that the regulated interest rate they get is higher. It was reported, however, that the preference for short-term loans is of long standing. In general, as discussed earlier in Section IV.D, the Government's interest rate controls have somewhat distorted the allocation of credit, and perhaps dampened the mobilization of domestic financial resources.

C. The National Rural Development Fund (FONADER)

FONADER was set up in 1973 to promote and accelerate economic and social development in the rural areas through the following activities:

-- Direct aid to farmers

-- Direct execution of specific projects on behalf of local authorities or farmers' organizations

-- Financial assistance for purchase of agricultural implements and planting materials intended for the installation of "young farmers" on the land

-- Provision of loans to farmers, credit bodies, pre-cooperative groups, and cooperatives or mutual societies of producers which had agreed to work under the direction and supervision of FONADER's technical services

-- Guarantee of loans granted by other entities to precooperative groups, cooperatives and mutual societies, or to farmers or stockbreeders, if FONADER's technical services determine the project to be valid

In 1977, FONADER was reorganized to become more completely a finance and credit organization. It discontinued the actual purchase of agricultural inputs, vehicles, etc., although in many cases, it continued to finance them. It continues to be a funding organization for a multiplicity of programs. However, about 90 percent of its outlays are now in support of export crops: plant disease control and plantation renewal in coffee and cacao plus fertilizer subventions. Its total 1980/1981 outlays have been CFA 9.9 billion (about $33 million); the principal outlays and programs are summarized in Table G-1.

FONADER has disbursed a considerable amount of funds, but not without problems. For example, FONADER generally has had to rely on other organizations (extension services, cooperatives) to certify the feasibility of proposed activities and to monitor their implementation. Sometimes, these other organizations also have the responsibility of handling the distribution of inputs or equipment financed by FONADER. If the inputs are not delivered on time, yields are likely to be much lower and the farmer is unlikely to be able to service his loan. This gap between action and responsibility has contributed to a low rate of recovery.

Another problem has been availability of funds. A substantial amount has traditionally come from the stabilization funds (ONCPB) which financed the support for cocoa and coffee. However, other programs usually had to be financed from GURC grants or from FONADER's own earnings. Unfortunately, the GURC payments have not always been made early in the fiscal year. This, coupled with the poor recovery rate, has meant that activities have been underfunded or funded late. An inefficient accounting system has exacerbated the problem, resulting in delays in requesting reimbursement for FONADER outlays from the GURC and international lenders/donors.

Table G-1. FONADER Outlays in 1980/1981
(CFA millions)

Category	Amount
Cocoa	
Plant Disease Control	3,753
Plantation Renewal	281
Total Cocoa	4,034
Coffee--Arabica	
Plant Disease Control	434
Plantation Renewal	149
Total Arabica	583
Coffee--Robusta	
Plant Disease Control	461
Plantation Renewal	214
Total Robusta	675
Miscellaneous Operations	38
Miscellaneous Interventions	
Village Wells	36
Fertilizer Subvention	3,670
Contribution to MIDEVIV Seed Production Project	46
Office Cerealier for Grain Storage & Distribution	34
Cooperative Stock of Inputs and Equipment	--[1]
Prizes for Best Plantation	40
Technical Services to MINEPIA (livestock, fishing)	111
Specific Projects	
Plan Cacao	61
Viande II--IDA Financing, Not Yet Started	
FSAR--IDA Project, Extended to 12/31/82	--[2]
Village Plantations (Palm Oil and Rubber) through SOCAPALM with IBRD, CCCE, COMDEV, FEDF Financing	--[2]
Jeune Agriculteurs	185
Hauts Plateaux de l'Ouest--with UCCAO	208
SEMRY II (rice in north, IBRD and CCCE financing)	163[3]
Northeast Benoue	14[3]
Total	9,898

[1]No payments made because of large cooperative stocks and only 9 percent recovery of CFAF 119 million financed since 1977/1978.

[2]No figures given for disbursements of GURC funds. FONADER advances funds and gets reimbursed from lenders and GURC.

[3]Assumed to be payments with GURC funds.

Various steps have been taken or are under way to rectify or at least ameliorate some of the foregoing problems. An increased share of FONADER activity goes through cooperatives, some of which have a 98.8 percent repayment rate, or through internationally supported development projects. FONADER has or will soon have branches in Bamenda, Garoua, Douala, Bafoussam, Bertoua, Ngaoundere, and Kumba. This will permit better review of proposed projects, monitoring of ongoing projects, and more active collection of loans. The accounting system is being revised and computerized. The GURC has used some of the oil revenues to get up to date on its payments, including covering the shortfall of the ONCPB in FY 1981 (see Section IV.E). FONADER also has fielded teams to review cases of low repayments to determine the causes and establish responsibilities for nonpayment. It is not at all clear that the fault lies with individual farmers.

Draft legislation is in circulation within the GURC to change the FONADER into a full-fledged agricultural bank. This would involve, among other things, FONADER's capacity to accept deposits and the acquisition of rediscount privileges with the Central Bank. These two measures, coupled with improved management, should go far toward solving the financial problems which have plagued FONADER in the past.

Given the priority placed by the Fifth Plan on increasing food production, FONADER will probably shift its lending somewhat toward food crops. With greater decentralization, it should be able to play a much more important role in food crop production and rural development in general. It should develop a regular program of project evaluation, including evaluations during project implementation, to maximize the benefits from its interventions.

D. The SME Guaranty Fund (FOGAPE)

Another building block in the Cameroonian financial system is the SME Guaranty Fund (Fonds d'Aide et de Garantie des Credits aux Petites et Moyennes Entreprises Camerounaises--FOGAPE). FOGAPE guarantees loans made by the BCD and by commercial banks to small and medium enterprises. It was created in 1975 within the BCD structure, but enjoys administrative autonomy.

FOGAPE is authorized to guarantee up to 80 percent of a loan. In 1975-1980, 76 percent of loan guaranties went to industry, less than 5 percent to agro-pastoral SMEs, and almost 10 percent to professionals and traders (with the remainder going to miscellaneous activities). About 38 percent of the loan dossiers by number and 62 percent by amount were presented by the BCD, and the remainder by the commercial banks--which therefore handled a smaller average loan than the BCD did. FOGAPE's resources come from a 10 percent levy on commercial banks' profits, a Government subsidy, guaranty fees, and income from its investments.

FOGAPE's record in promoting SMEs is disappointing, although the organization is not entirely responsible for this. Indeed, it could be argued that FOGAPE's role is not one of promotion. Rather, it is a "passive" institution that is merely supposed to respond to loan guaranty applications channelled to it by the BCD and commercial banks. But a frequently cited complaint is the long delay encountered in processing dossiers. The fact that the FOGAPE board, which reviews loan guaranty applications, meets only two or three times a year, can cause delays, and may render the original project cost and price estimates obsolete. Also, although FOGAPE is authorized a loan guaranty ceiling of seven times its assets, it has only given guaranties for up to five times its assets. This reflects one or more of the following factors: overly conservative financial management, lack of suitable loan guaranty applications, or delays in the processing of applications.

E. Other Formal Institutions

For the sake of completeness, one should mention credit unions and caisses populaires. These savings and credit cooperatives make few loans to businesses. They are potentially interesting institutions to mobilize local savings and to finance traditional artisans or microenterprises of the modern sector. Their overall significance in the financial system is, however, quite small at this time.

F. Informal Financial Institutions: The "Tontines"

Finally, there are several informal savings associations which are not specific to Cameroon but are certainly more developed there than in any other West African country, or, indeed, than in most developing countries.[2] Since these

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[2]For an excellent presentation, see CAPME--Information, last issue of 1981 and first issue of 1982. For an analysis of the economic role of these informal associations among the Bamileke people in the west of Cameroon, see Hazel McFerson's study in this evaluation series, cited in the Bibliography.

associations are extralegal, and their popularity largely linked to the discretion of the members, data on savings amounts and on interest rates are naturally very hard to come by. There is a wealth of anecdotal and indirect qualitative evidence, however, pointing to the substantial role played by these associations in mobilizing small savings from large numbers of Cameroonians.

These informal savings associations in Cameroon go under the generic name of "tontines."[3] In the rural areas, the average membership of a tontine is probably between 10 and 30 individuals, who generally meet once a month to pay contributions varying from about 4 to 60 dollars. Members are eligible to borrow from the pool and/or--depending on the kind of tontine--to be allocated all or part of the proceeds by random drawing or through some other criterion (including legitimate economic need). The tontine can thus combine the saving function with that of a lottery, a bank, a social club, or a mutual aid group--depending on the form of the association.

Tontines are not the most efficient form of financial intermediary, for the proceeds from members' payments are often hoarded rather than made available for productive economic use pending their distribution. They are, however, far more efficient than the official financial institutions for that large number of people who have limited resources and little access to formal credit at prevailing terms. They perform an important social role as well. Finally, the role of tontines in stimulating and reinforcing saving and investment habits of many Cameroonians is a positive adjunct to longer term economic development.

II. TRAINING INSTITUTIONS

A. The Labor Market

Data on the labor market in Cameroon are limited; the hard data that do exist are derived from a population census taken

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[3] The name originates from Lorenzo Tonti, who pioneered in Europe the concept of life insurance. The basic idea consisted of joining a group by paying in a yearly premium for a fixed period of years, at the end of which the accumulated amount would be distributed to the members. Each member would get back not only his own accumulated contribution, but also his share of the forfeited premia of members who had failed to keep up their payments or who had died.

in April 1976. The census revealed that the working population made up 40 percent of the total population. The activity rate of persons actively employed between the ages of 15 and 59 was 65 percent (85 percent for men, 50 percent for women). Nearly 80 percent of the working population was engaged at the time of the census in agriculture and related fields. Self-employed persons constituted about 64 percent of the working population; only 14 percent were wage-earners. These figures reflect the low level of modernization of the economy and the predominance of agriculture--most of the self-employed are farmers. The 1976 census estimated the overall unemployment rate at 6 percent, with urban unemployment at 12 percent. Many observers believe that these figures are too low. It is certain that there is a good deal of hidden unemployment and underemployment, particularly in Douala and Yaounde--and probably more so than in other developing countries at comparable income levels.

The problem of labor market disequilibria needs to be disaggregated by level of skill. For purposes of wage determination, Cameroon recognizes 12 different categories of labor. Cameroonian manpower, for the most part, is unskilled: over 70 percent of wage-earners fall below Category IV (I is the least skilled). The rate at which jobs are being created is not keeping up with additions to the labor force, and the latter is increasing at an accelerating rate. Although there is a surplus of unskilled labor, the supply of Cameroonian managerial and technical staff is insufficient to meet the demand of the labor market.

The education system thus far has been unable to keep pace with the economy's increasing skilled manpower requirements. While Cameroonians occupy 95 percent of supervisory staff positions and 67 percent of senior technician posts, they represent only 39 percent of the managerial staff. The foregoing situation reflects, in part, the bias in GURC industrial policy which has favored larger, more capital-intensive enterprises which require more experienced management and more highly qualified technical personnel (see Section IV.C).

The Fifth Plan notes the need to increase employment and sets forth the following measures to encourage the creation of job opportunities:

-- Intensification of efforts to group together young farmers and to restructure social organization, land tenure, means of production, and support structures

-- Re-orientation of civil service activities

-- Encouragement of banking institutions to provide stronger support to the establishment of enterprises by Cameroonian nationals

-- Revitalization of SMEs and the informal urban business sector through a more flexible policy by banking institutions and more appropriate technical guidance

-- Promotion of industrial and commercial development through an open-door policy as well as a policy of dynamic inter-African and international cooperation

-- Revitalization of such structures as the National Commission for the Cameroonization of Jobs and the National Commission for the Transfer of Technology

Other GURC measures relating to the labor market include reorganizing the Labor Inspectorate and establishing a National Office of Employment and Manpower. Some surveys are also proposed: (a) a survey of the informal sector, (b) a household employment survey, and (c) two biennial sample surveys on adapting training to employment.

B. Manpower Development Policies and Programs

In light of the condition and composition of manpower in Cameroon, the GURC has placed some emphasis on education and training. The rate of growth of Government capital expenditure in education has averaged 20 percent per year since 1965/1966.

The Ministry of National Education (Ministere de l'Education Nationale-MEN) is responsible for all levels of general and technical education and for all higher education. Vocational schools, only a few of which exist, are under the authority of the Ministry of Labor.

General Government objectives in the sector include increasing enrollments in primary education and in general secondary education; the eventual Cameroonization of the skilled labor force, i.e., training the technicians, skilled workers, and managers needed to replace expatriates; training individuals to meet the growing demands of local industry; and meeting the requirements of agricultural and rural communities.

The GURC will at the same time have to face a number of problems and policy decisions with respect to education and training:

-- Structural differences caused by the different education systems that were inherited at independence in east and west Cameroon

-- The lack of adequate facilities and qualifed teachers

-- The need to finance technical education

-- The need to encourage cooperation between ministries involved in education and training

-- The development of linkages between the education system and the industrial sector to ensure equilibrium of manpower supply and demand

The GURC is paying particular attention to the last issue and has stressed the acquisition of practical skills at the primary school level. Recognizing that 9 out of every 10 grade school dropouts (grades 1-10) will not find jobs in the modern sector, skills related to agricultural, artisanal, and general informal sector activities are stressed. Advances in introducing practical subjects at the secondary level instead appear to be less successful. Technical education and vocational training at the secondary level is more advanced in the Francophone system.

Three basic postsecondary technical education and vocational training institutes exist: the Ecole Nationale Superieure Polytechnique, the Ecole Nationale de Technologie, and the Ecole Superieure des Postes et Telecommunications. Agricultural education and training are distributed among three ministries: the Ministry of Education and the University of Yaounde are responsible for higher level training; the Ministry of Agriculture for middle- and lower-level agricultural training; and the Ministry of Livestock for veterinary and animal science training.

Until recently, the university system has been limited to the University of Yaounde, with its faculties of law and economics, letters, sciences, and several professional institutes. Under a policy of decentralization, the GURC has established a University Center at Douala with a Teacher Training College (Ecole Normale Superieure d'Enseignement Technique) and a College of Economics and Commerce (Ecole Superieure des Sciences Economiques et Commerciales). The Agricultural Teacher Training College (Ecole Normale Superieure Agronomique) is being transferred from Yaounde to Dschang in the West (see also Section V.A). Additional university centers are planned for Buea and Ngaoundere.

The GURC has received large amounts of foreign assistance in support of the education sector, including assistance from USAID for the Agricultural University and for the Primary Education Project. Emphasis has been on improving educational efficiency and planning, teacher training, vocational and technical training, and a general expansion of primary education. A revamping of the primary curriculum has been undertaken and is close to implementation. The Fifth Plan calls for educational reform to be carried out at all levels of education, and states that technical and vocational education should be given a special place in secondary and higher education. Support for the apprenticeship system is also urged.

While the foregoing aims are laudable, the geographic distribution of educational opportunities should receive more attention. This is illustrated by the recent selection of students for the next class at the College of Economics and Commerce in Douala. Only 50 students were selected out of 1,500 applicants: over half were from the Western province (Bamileke area), almost a quarter from Yaounde and Douala, and perhaps only one or two from the rest of the country. Since the cost of establishing comparable colleges in the other provinces is prohibitive, more attention needs to be given to mechanisms of informal education and possibly correspondence classes. It might be feasible also to provide tax incentives to businesses to encourage them to provide on-the-job training to employees other than their own.

III. SOURCES OF ECONOMIC INFORMATION

As in most developing countries, particularly small countries, much economic information travels well through informal, traditional channels. Formal mechanisms are, however, necessary to provide relevant information on nontraditional economic activities. Table G-2 on the following page lists the principal sources and/or diffusion agents for types of economic information of major interest to the private sector: prices and markets, investment opportunities, technology, Government regulations, Government policy-making mechanisms, and credit availability and access. The potential users are presented in four categories: foreign investors, domestic large-scale business, domestic small- and medium-scale enterprise including artisans, and farmers. Subsequent text elaborates on the principal information agents.

The table and accompanying text are not exhaustive. However, the most important formal sources and diffusion agents are included. It should be noted also that the diffusion of information and the provision of training are often difficult to separate, e.g., the case of CAPME which provides training in addition to economic information. For a description and discussion of the other organizations mentioned in the table, see the appropriate sections of this report.

Table G-2. Sources and Diffusion Agents of Economic Information

Information About	Information for: Foreign Investors	Domestic Large Business	Domestic SMEs and Artisans	Farmers
Prices and Markets	Presumably have export market information; local price information from SNI, local partner or obtain on their own.	Develop on their own or obtain from foreign partner.	Largely develop on their own, but might get some help from CAPME.	Some information from coops' extension agents or parastatal development corporations. Also word of mouth.
Investment Opportunities	Commercial banks, CCIM, SYNDUSTRICAM, SNI, BCD, local contacts.	CCIM, SYNDUSTRICAM, SNI, BCD, Government contacts, own initiative, commercial banks.	Largely self-developed. Possibly commercial banks, BCD, CAPME.	Coops, parastatal development corporations, possibly extension agents, word of mouth.
Technology	Presumably bring it in, perhaps use local firm, CAPME or CENEEMA to help adapt it.	Develop it themselves or import it. Also may use CAPME or CENEEMA.	Largely self-developed, copied, or imported. Some help from CAPME, potentially from CENEEMA.	Parastatal development corporations, extension agents, merchants selling inputs and machinery, possibly CENEEMA.
Government Regulations	Ministry contacts, SNI, CCIM, SYNDUSTRICAM, media.	Same as foreign investors.	Media, CAPME, CCIM (in case of larger medium-size firms).	Extension agents, coops, parastatal development corporations. Chamber of Agriculture (larger or more sophisticated farmers).
Government Policymaking Mechanisms	Through SNI, CCIM, SYNDUSTRICAM.	Same as foreign investors plus personal access.	CAPME (largely ineffectual).	Extension service to limited extent, parastatal development corporations, coops, Chamber of Agriculture (for numbers).
Credit Availability and Access	Foreign sources, commercial banks, SNI, BCD.	Commercial banks, SNI, BCD.	CAPME (limited usefulness), commercial banks, BCD.	Extension agents, coops, parastatal development corporations.

-- Commercial Banks. These were discussed earlier in this Appendix. Foreign banks operating in Cameroon can be particularly helpful in providing information facilitating the entry of foreign investors, especially Americans, who often are without French language skills and typically allow themselves too little time for establishing the needed business and personal relationships.

-- SNI. The National Investment Corporation (SNI) was discussed in Section IV.A. Its interest is large-scale investments.

-- CCIM. The Chamber of Commerce, Industry, and Mines has a number of branches throughout the country and puts out a monthly publication with information about the private sector and about Government actions and regulations. A Canadian is working in the main office in Douala to facilitate joint ventures between Canadian and Cameroonian entrepreneurs. A French cooperant is working in the Garoua office studying the possibilities for French-Cameroonian joint ventures in the north. More than one Cameroonian suggested that the United States place someone in the CCIM to foster U.S. investment.

-- BCD. The Cameroonian Development Bank was discussed earlier in this Appendix. It does not appear to play a very significant role in the diffusion of economic information.

-- SYNDUSTRICAM. The Syndicate of Cameroon Industrialists (Syndicat des Industriels du Cameroun) is similar to CCIM, except that it is strictly for industrialists, a Cameroonian version of the U.S. National Association of Manufacturers. Its lobbying activity is strong. Its informational role probably is significant, but is restricted mainly to its members.

-- CAPME. The National Center for Assistance to Small- and Medium-size Enterprises provides both training and information diffusion. It has assisted a number of small enterprises to achieve the special SME status under the Investment Code. It has had only limited success in obtaining bank financing for SME projects, whether from the BCD or commercial banks. It needs additional staff, better trained and more experienced, to carry out its mandate. CAPME is supposed to coordinate all programs for assisting SMEs; unfortunately, it has used this mandate to restrict the activities of nongovernmental, nonprofit organizations which previously were working with SMEs.

CAPME rightly perceives the importance of marrying SME financial and technical assistance, and has proposed that it be given authority to take participation of up to 20 percent in SMEs. The assumption is that participation by a Government organization such as CAPME would facilitate putting together a funding package. A more realistic approach would be that carried out in Douala by AFCA wherein it provided managerial, technical, and administrative assistance to a group of small entrepreneurs who established a mutual credit fund organized like the tontines.

-- Agriculture Extension Service. Although the extension service could be expected to be the principal source of economic information for farmers, this does not appear to be the case generally. In many areas, extension coverage is sparse. Extension agents often are not well trained on how to use economic information or are not provided with such information. Frequently, extension agents have been used to distribute inputs, purchase outputs, and handle credit, thereby limiting their ability to serve as extension agents. Where the extension service has been effective, it has generally been in the diffusion of information on production processes.

-- SODECOTON. The operations of the Cotton Development Corporation were discussed in Part VI.

-- Cooperatives. There is a long tradition of cooperatives in Cameroon, but many of the early efforts were not very successful (particularly in the francophone part of the country) and cooperatives had a bad name in the early days of independence. There have been increasing Government efforts to foster cooperatives in recent years, with limited but increasing success. Nevertheless, their role as a source and diffusion agent of economic information remains relatively restricted. Possible exceptions include the union of cooperatives in the western highlands (UCCAO), a cooperative in Bamenda, and one in Ngaoundere which are reported to be handling credit for their members and maintaining a 98-percent repayment record.

-- CENEEMA. The National Center for Agricultural Machinery Experimentation has developed, with the help of German technical assistance, some improved agricultural machinery. Little has been done to foster technical information or the production and widespread utilization of this equipment. Rather, CENEEMA managers have been more interested in renting equipment or providing fieldwork for hire. Neither small farmers nor SMEs have benefited significantly from CENEEMA activity. The Germans are withdrawing their experts. The role and operations of CENEEMA is being reviewed by the GURC.

-- Chamber of Agriculture. The Chamber of Agriculture is patterned after the CCIM, but is representative of larger farmers and the more sophisticated farmers dealing with export crops, particularly coffee and cocoa.

-- FONADER. The National Fund for Rural Development was discussed earlier in this Appendix. In the future, it could play an increasingly important role in the dissemination of economic information and credit in agricultural areas.

APPENDIX H

USAID PROJECT LIST

USAID PROJECT HISTORY LIST[1]

Project Number	Project Title	Date Started	Date Completed	Obligated to Date (000 current US$)	Expended to Date (000 current US$)
6310000	Technical Support	1962	1972	980	980
6310001	Urban Development	1963	1965	311	311
6310001	North Cam Seed Multiplication	1976	1983	1,498	1,275
6310002	Transportation Miscellaneous	1968	1969	58	58
6310002	Young Farm Family Training Center (OPG)	1977	1982	952	730
6310003	Vocational Education	1962	1969	303	303
6310003	Cam Low Income Housing	1976	1980	597	594
6310004	English Language Training	1962	1968	212	212
6310004	North Cameroon Livestock and Agriculture Development	1978	1984	3,039	2,527
6310005	Manpower Training	1962	1969	315	315
6310007	Social Science Research and Training	1978	1982	900	444
6310008	Road Surveys		1965	205	205
6310008	Agricultural Management and Planning	1979	1985	3,783	946
6310009	Farm-to-Market Roads	1962	1969	658	658
6310009	Practical Training in Health Education	1977	1982	2,040	1,550
6310010	Highway Development and Training	1962	1972	3,229	3,229
6310010	North Cameroon Pilot Community Development (OPG)	1977	1981	351	351
6310011	Trans-Cameroon Railroad III	1978	1981	7,500	7,500
6310012	Electric Power	1963	1966	31	31
6310012	Mandara Mountains Water Resources	1979	1982	4,950	762
6310013	Water Supply Development		1966	64	64
6310013	National Cereals Improvement	1979	1985	2,675	622
6310014	Secondary and Technical Education	1963	1969	399	399
6310015	Planning Assistance	1963	1966	159	159

[1]Through FY 1981.

USAID PROJECT HISTORY LIST (cont.)

Project Number	Project Title	Date Started	Date Completed	Obligated to Date (000 current US$)	Expended to Date
6310015	Livestock and Poultry Development (OPG-PVO)	1980	1985	972	84
6310016	Agriculture Extension and Planning	1964	1973	536	536
6310016	Technical Survey		1964	15	15
6310017	Cocoa Disease Control	1964	1967	507	507
6310017	National Planning for Community Development	1979	1982	475	276
6310018	Mile 47-Mamfe Road	1966	1975	3,397	3,397
6310019	Trans-Cameroon Railway	1975	1975	21,964	21,964
6310022	Small Farmer Fish Production	1980	1984	600	120
6310024	National Food Crop Protection	1979	1984	1,060	401
6310025	International School	1965	1966	19	19
6310025	Marqui-Wandala Water Supply (PVO-OPG)	1979	1984	1,459	813
6310026	Measles Vaccination Campaign	1965	1970	627	627
6310027	Highway Maintenance Equipment	1969	1969	32	32
6310028	Special Self-Help Development (C)	1965	1980	970	970
6310034	Training for Small Business (PVO-OPG)	1980	1981	500	239
6310040	Nutrition Advisory Services	1979	1982	230	127
6310044	Cameroon Credit Union Development (PVO-OPG)	1980	1986	302	0
6310060	Trade and Industry Education		1964	40	40
6310081	OCAM Secretariat	1964	1969	57	57
6310201	North Cameroon Rural Health Service	1975	1982	469	409
6319701	Special Self-Help Population	1980	1982	5	5
6319801	Human Rights Fund--Cameroon	1981	1981	8	8
6319901	Special Self-Help Development--Cameroon	1980	1982	178	178

APPENDIX I

THE TEXTILE INDUSTRY IN CAMEROON

I. DESCRIPTION

The textile industry is of special importance to Cameroon, a producer of cotton. In 1980-1981, SODECOTON produced a total of 32,000 tons (180,000 bales) of boll cotton. Approximately 18 percent of this cotton, 5,800 tons, was sold on the domestic market and spun at the Cotoniere Industrielle du Cameroun (CICAM) plant in Garoua.[1] Such practice is fully in line with the principle, stated in the Fifth Plan, that Cameroon should increase domestic value added to its resources by further transformation. Moreover, the CICAM plant at Garoua is one of the rare large industrial plants in the Northern Province, and as such, contributes to the much-desired regional balance of economic activity.

Generally, however, the textile industry is located in the southern part of the country, more specifically around Douala. In that respect, textiles have followed the same locational pattern as the rest of the manufacturing industries.

Throughout the 1970s, the turnover in the textile and shoe industries represented about 15 percent of total SYNDUSTRICAM membership turnover.[2] According to ILO data, which are purported to have broader coverage, the textile and wearing apparel industries accounted for 40 percent of manufacturing employment in 1973, and for only 26.5 percent in 1979.[3]

The textile industry is oriented to the domestic market. CICAM in particular (see below), has been created on the logic that Cameroon grows cotton, and Cameroonians traditionally wear printed cotton <u>pagne</u> robes. Clothing imports, however, still outrun domestic production: they were reported to be CFAF 962, 1,035, and 1,432 million respectively for 1977-1978, 1978-1979, and 1979-1980.[4]

The textile industry also contributes to exports. Exports of apparel went from 31 metric tons in 1965 to a maximum of 224

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[1] Figures are from SODECOTON and CICAM annual reports.

[2] The Syndicate of Cameroon Industrialists (Syndicat des Industriels du Cameroun: SYNDUSTRICAM) is a private lobbying organization of manufacturers. Its membership is said to cover most of the medium- and large-scale enterprises.

[3] ILO, <u>Yearbook of Labor Statistics, 1981</u>, 41st ed. Geneva, 1981.

[4] MINEP, <u>Fifth Plan</u> (draft), Vol. III, p. 470.

in 1969, and then fell to 130 in 1978. Exports of printed cotton fabrics were zero in 1967, and have steadily increased to a maximum of 342 tons in 1976, after which they fell to 223 in 1978. Together, apparel and printed cotton represented 13 percent of manufactured goods exports. And that does not take into account exports of unbleached cotton fabrics.

Of course, cotton is not the only fiber that is processed by the textile industries. But it is the only one that is produced in Cameroon. Other fibers, notably synthetic yarn, are imported. There have been tentative attempts to grow jute and kenaf in the North, with little result.[5]

II. STATE CONTROL

CICAM, and its subsidiaries SYNTECAM and SOLICAM, form the heart of Cameroon's textile sector. CICAM was created by Cameroon, France, the Federal Republic of Germany, and Chad. It was not possible to verify that the GURC has a controlling interest in CICAM, but its interest is at least 35 percent (through SNI). CICAM also has a technical assistance contract which provides its European partners with a guaranteed source of income, as well as with a convenient channel of influence.

CICAM went into operation in 1966 with two large factories: one for spinning and weaving in Garoua, and one in Douala for finishing operations (bleaching, dying, printing). In 1980-1981, CICAM operated at full capacity and sold 57 million meters of fabric, of which it exported 21 million. Its turnover was CFA 14.6 billion (about $45 million) and its net

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[5]The textile industry in Cameroon consists mainly of three enterprises involved in spinning, weaving, and finishing: CICAM (Cotoniere Industrielle du Cameroun), and its subsidiaries SYNTECAM (Societe Camerounaise pour la Fabrication de Tissus Synthetiques) and SOLICAM (Societe Camerounaise Textile pour le Linge de Maison). There are also four or five enterprises making tablecloths and household fabrics: SYNCATEX, DRATEX (DRATEX-CONFECAM), MCD (Manufacture de Couvertures de Douala), SICABO. Hosiery comprises about a half-dozen businesses, the most important of which is SYNCATEX. In garment-making, there are several medium-size enterprises (CONFECAM, IVECAM, SIDITEX, SIVA, VASNITEX) and countless microenterprises and artisanal tailors. Finally, a few businesses specialize in industrial and technical canvas products (Societe Camerounaise de Sacherie: SCS; Chiffon Industriel d'Essuyage: CIE; and DUCLAIR) and one, SAFIL, makes sewing thread.

profit CFA 470 (about $1.5 million) or 3.2 percent. It employed 1,540, of whom 41 were expatriates.

CICAM's subsidiary, SYNTECAM, was established in association with the SOCATEX group and Rhodiaceta (owners of the Tergal Brand), for the purpose of weaving and dying synthetic fabrics. Another subsidiary, SOLICAM (52 percent CICAM, 40 percent SNI, and 7 percent DRATEX), went into operation in 1981, making turkish towels and turkish towel articles.

Whatever the exact percentage of GURC ownership in the CICAM group, its preponderant influence is beyond doubt. It was the GURC who, in accordance with principles laid out in the Plan, pushed for the creation of CICAM in the first place. It was also the GURC who promoted successive capacity expansions and diversification moves. And there is a project for a second integrated textile complex in Maroua that has been on the books at least since the Fourth Plan: according to the President of SNI (see Appendix E), startup of this project is now imminent. Two European companies are currently conducting feasibility studies, and the Government is seeking additional partners to the SNI.

Thus, it can be concluded that strategic long-term investment decisions are made by the GURC. As usual, however, it appears that CICAM enjoys a fair amount of latitude, within the price control system. (See Part II for a description of mixed economic control.)

Although more thorough investigation would be needed, there is no evidence of state ownership in other segments of the textile industry. The prevailing attitude seems to be one of laissez-faire, although the usual price homologation system applies here too, at least in theory.

III. MARKET ANALYSIS: FABRICS

CICAM is the only maker of fabrics in Cameroon other than tablecloths and household fabrics. That is not to say that CICAM has monopoly power, since import competition is pretty strong: in 1979, imports of cotton thread and fabrics totaled 4,315 tons (CFA 5,410 million). Moreover, CICAM's domestic sales prices are regulated.

Indeed, CICAM complains of having been caught up in a price squeeze this past year: the world price of cotton purchased from SODECOTON, labeled in dollars, increased with the fall of the CFA; other costs also increased, but CICAM's domestic sales prices have not kept pace.

Concerning monopoly, there is no evidence that the GURC in any way is trying to prevent entry into the industry. On the contrary, there are signs that the GURC is actively seeking partners for its second textile complex. The difficulty seems to be that there are few investors who think market prospects are very bright.

Geographical breakdown of CICAM's sales is as follows:

Cameroon	67.3 percent
UDEAC	10.3 percent
Chad	14.3 percent
Europe	8.0 percent

What does not show up in this breakdown is Nigerian demand: exports to that neighboring country go largely unrecorded and are included in domestic sales.[6] Thus, the export performance of the industry is probably much better than the official figures indicate. CICAM's market position overall seems to be reasonably good. Its prints, in particular, seem to be well adapted to the Central African market for pagne, although it appears that their very success is beginning to create some degree of reverse snobbery.

But CICAM's present market is rather narrow. And it has been able to achieve its present size only by diversifying its product line to 26 different items. The real hope for expansion--or for the successful establishment of another integrated textile complex--seems to be in the European export market. Competition is fierce, but a garment-maker who had experience in haute couture with Christian Dior did point out to us that CICAM textiles were of "European quality."

IV. MARKET ANALYSIS, HOSIERY, AND GARMENT-MAKING

Hosiery and garment-making display the expected market structure characteristics of low concentration and relatively free entry. It is also an industry facing stiff import competition. Indeed, the situation of the industry is unanimously described as a "crisis." It is a fact that a number of enterprises have closed down and employment is being reduced among SYNDUSTRICAM members. One well established enterprise, SIVA, which used to design dresses which sold well on the Cameroonian market, has closed down its dress assembly-line and now operates only its brassiere line.

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[6]Bribes to border officials are euphemistically called "douane directe" or "douane honorifique" (honorary customs).

The crisis is blamed almost entirely on import competition. The word "dumping" is frequently used, especially in reference to Asian imports. It is unlikely, however, that such charges can actually be substantiated in the technical sense. Imports from the People's Republic of China are perceived as particularly disruptive.[7] There are also loud complaints about smuggled clothing from Nigeria: for obvious reasons it is impossible to quantify this trade. A third source of import competition has been mentioned: small-scale smuggling of quality garments by travelers from Europe (with suitcases containing 20-40 dresses). It does not seem likely that this would be a very significant factor, but it could be felt in certain particular segments of the industry.

Among other causes of their woes, garment-makers point to competition by countless "unorganized" microenterprises. Viewed from a different perspective, the decline of factory garment-making has been accompanied by a proliferation of tailors, mostly former employees of the garment manufacturers. A team member has personal evidence of the excellent quality of the work of Cameroonian tailors.

Finally, it seems that there has been a change in demand over the past 20 years. While it used to be possible to produce and sell series of 300 or 400 identical dresses, consumers now expect more exclusivity: on a narrow market such as Cameroon's, this favors imports and microenterprises.

The GURC reacted to the crisis by taking the following actions:

-- Eliminating the 2 percent export tax

-- Encouraging manufacturers to participate in international fairs

-- Submitting clothing to the twinning (<u>jumelage</u>) trade regulation

Fortunately, the GURC has made no serious attempt to enforce a strictly protectionist program. This is economically wise since there is no evidence that Cameroon has a comparative

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[7]The BURECOM (Bureau Charge des Relations Commerciales avec la Republique Populaire de Chine) is a Government body within the Cameroon Development Bank. BURECOM is responsible for importing and selling Chinese products in Cameroon, and for channelling the proceeds into the financing of the Lagdo Dam and of the Yaounde Palais de la Culture, built by Chinese personnel.

advantage in factory-made clothing. There is also every indication that, whenever profitable opportunities arise in this area, small-scale Cameroonian entrepreneurship will emerge to take advantage of them.

APPENDIX J

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